



# 10. Revitalise



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## About this guide

The purpose of this guide is to enable you to explore the diverse opportunities and challenges for sustained development. It aims to help you to make the most of potential income sources, as well as maximising your opportunities to work with others, reduce costs and add value for beneficiaries.

This guide covers four key areas that can help you revitalise your organisation and set it on a secure footing:

1. Scanning the external environment to seek out opportunities and challenges
2. Broadening and diversifying income streams
3. Innovating to respond well to the public service agenda
4. Collaborating to add value and reduce costs.

Each area of this guide offers an overview of important activities with tools and templates to help you through them. It also signposts websites and other sources of information, support and advice.

## Environment scanning

**Environment scanning**, often called strategic analysis of the external environment, is fundamental to your organisation's effectiveness. It will help you:

- anticipate what might happen (and the likelihood) so that you can prepare for it
- make the most of this new knowledge by considering the best response
- find out where knowledge about possible future events is held in your organisation (this can lie with front line staff, volunteers, board members and many others).

Incorporated into an organisation's strategy and plans, strategic analysis will lead to clearer, more relevant goals and better quality decisions; it will also stimulate innovative development, help to improve the quality and/or quantity of services and enable a more secure future as you become better prepared. In addition, getting everyone involved in strategic analysis will improve their understanding of strategic change and therefore the quality of their response to it.



## The five steps of environment scanning

You will need to:

### 1. Map the drivers

- Identify and record the major trends or forces that can positively or negatively shape or influence the future of your organisation.

**2. Explore the whole landscape:** political, economic, social, technological, environmental and legal (sometimes called a PESTLE analysis – see below for more information)

- Sort the drivers into the vital, the important and the interesting
- Narrow down the list of drivers you have identified, making decisions about what is vital to your organisation
- Focus on those drivers that are high impact, fairly likely to happen and imminent
- Prioritise the factors that will really help you make a difference for your beneficiaries.

**3. Carry out further research** into the drivers that matter

- Concentrate on what's already known in your organisation
- Establish what is readily available from easy sources.

**4. Consider the implications of the key drivers**, generating opportunities and options for future strategies based on these (see below for more information on how to do this):

- Explore how the drivers you've selected might impact your organisation, your beneficiaries, your funders and other organisations in your field
- Investigate what the implications might be for key relationships, for your workforce, your work, the governance etc. of your organisation.

**5. Take strategic action** – make decisions as to how the organisation will respond, with the aim of:

- exploring your opportunities, options and choices
- improving services, reducing costs, working with others, innovating, and managing risks and threats

The best place to start the quest for relevant drivers is at the heart of your organisation, with your mission. The **DIRECTION GUIDE** looks at mission in some detail.

Ask yourself:

- What difference does my organisation want to make and to whom?
- What change do we want to see as a result of our efforts?

Keep this in mind when you start to think about strategic analysis of the external environment. It will help you to isolate the factors that will really help you make a difference for your beneficiaries.

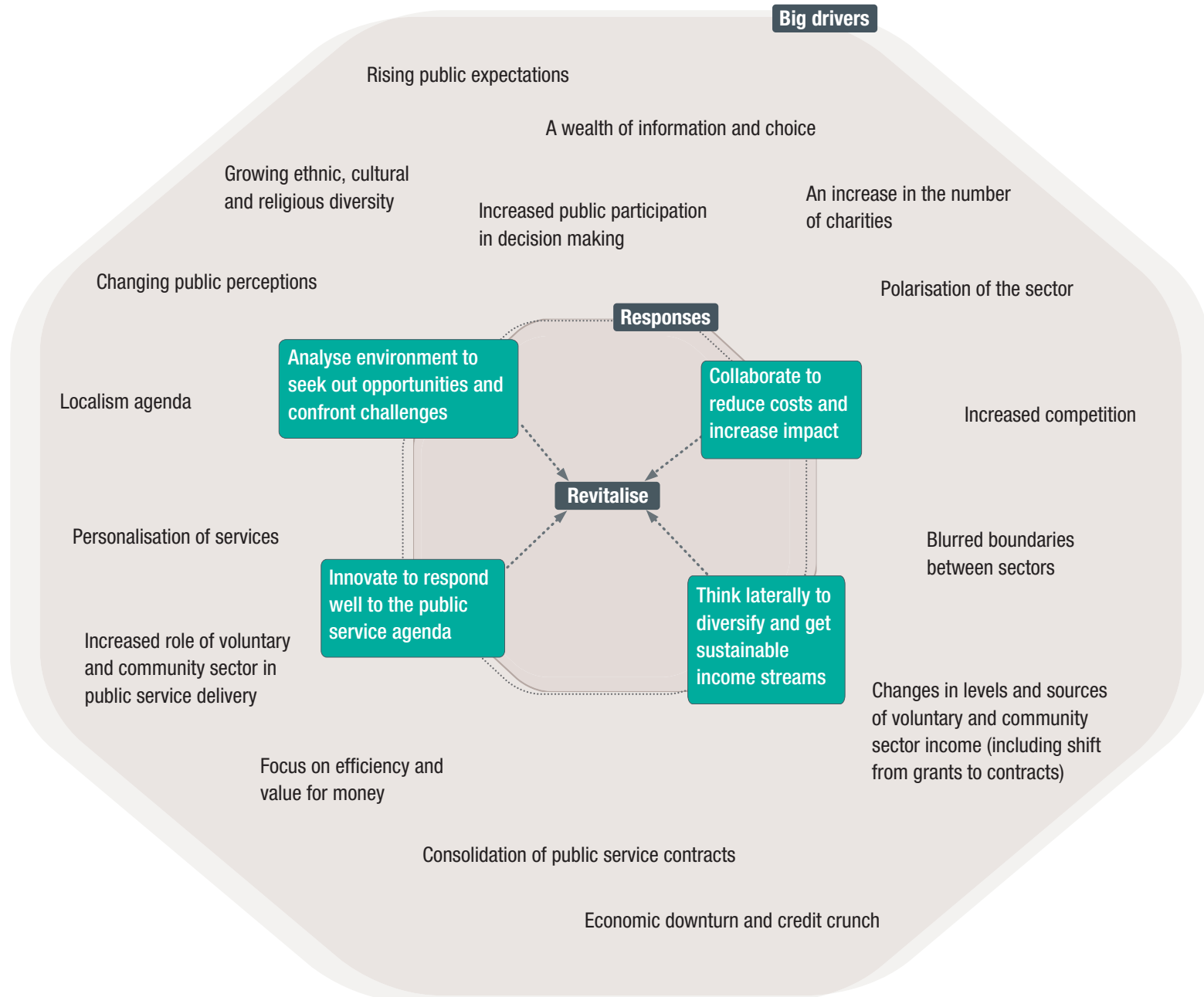


- If you get as many people as possible involved – from outside as well as inside your organisation – you will get a broader and more informed analysis. You may find some disagreement about what is important and what is not... such disagreement is normally a fruitful source of new ideas! Think about holding a meeting or workshop. There are tips on how to do this at: [www.knowhownonprofit.org/organisation/strategy/implement/involvingpeople](http://www.knowhownonprofit.org/organisation/strategy/implement/involvingpeople)

## Big drivers

Every organisation will have its own unique set of drivers, but there are some big drivers that seem common to many. The ones underpinning this guide are shown on the diagram on the next page. The big drivers are in the outside layer; their implications, indicating possible responses to them, are in the inner layer.

## Common big drivers





You can find out more about these drivers from NCVO's Third Sector Foresight website ([www.3s4.org.uk/drivers](http://www.3s4.org.uk/drivers)). The site has a bank of 100s of drivers, and for each one there is a summary description, links to related drivers, information about possible implications, plus sources of further reading if you want to go into more detail.

## Scanning for opportunities, considering implications

Step 1 of environment scanning is to map the drivers in the external environment. Here is a very useful template you can draw up on some flip chart paper to help stimulate your thinking about those that apply to your organisation.

Remember to keep your mission and the needs of your beneficiaries in the front of your mind as you go through steps 2 and 3 of the five-step process and develop your thinking about the external environment. And keep your focus on the drivers that are vital and to which you must pay attention. Identify which of them you need to find out more about and where you might go to get this information.

Step 4 of the five-step process is an equally important one: this is where you start to consider the implications of your significant drivers. The 'Impact assessment grid' (from Copeman C and Griffith M (2007) *Looking out: how to make sense of your organisation's external environment*, London: NCVO) on p.11 will help you to extract the implications and opportunities across the whole range of your activities. It is important to really open up thinking to cover all possible implications, threats and opportunities before you select and prioritise those that will inform your decisions and actions.



## Mapping drivers in the external environment

Political	Economic
Social	Technological
Environmental	Legal

### Tips on using this template

- Think about the drivers (trends and forces) impacting your organisation under each of the headings.
- Get a group together to strengthen thinking about both the known as well as what is unknown.
- Go for broad analysis as well as depth about:
  - which other drivers will affect funders?
  - what is the range and nature of the other players?
  - what do we know about our beneficiaries?

Some drivers may crop up in more than one box.

You might notice that there are connections between some drivers; think laterally about how best to use these links.

- Try to focus on the root cause as well as on symptoms – always ask 'but what might cause that?'
- Include the uncertainties as well as the certainties – you need to be strategic about both.

### Impact of drivers

The grid on the opposite page will help you to clarify your thinking about the impact of each driver in relation to:

- **beneficiaries** and their needs
- **funders** and their priorities
- **relationships** and influence
- **workforce** – paid, volunteer and trustees
- **your work** – services, campaigns and activities
- **governance** including accountability and evaluation
- **systems, skills, technology** – communications, administration, management etc.

### Scanning the environment: impact assessment grid

Use the table on the opposite page to assess the impact of drivers. Ask yourself:

- How could each driver affect your organisation?
- What opportunities does this create?
- What are the challenges and threats?

Once you have identified the range of opportunities and threats, you can plan your options and your responses. This will give you a sound basis for taking strategic action to revitalise your organisation. Having done the work of steps 1–4, you will be ready for step 5, taking strategic action, which is the final step of the environment scanning process.

Scanning the environment: impact assessment grid

	External drivers	Internal drivers					
	Impact on users	Impact on funders	Impact on relationships	Impact on workforce	Impact on work	Impact on governance	Impact on systems, skills, technology
Key driver 1							
Key driver 2							
Key driver 3							

The following sections of this guide will help you with three of the most critical areas of response to the common big drivers:

1. diversifying your income portfolio to help deal with funding changes
2. responding well to the public service agenda
3. collaborating to reduce costs and increase impact.



For a workbook taking you through the detail of the strategic analysis steps, see Copeman C and Griffith M (2007) *Looking out: how to make sense of your organisation's external environment*, London: NCVO. For web-based information see the Third Sector Foresight website [www.3s4.org.uk/how-to](http://www.3s4.org.uk/how-to) and KnowHow NonProfit [www.knowhownonprofit.org/organisation/strategy/externalanalysis](http://www.knowhownonprofit.org/organisation/strategy/externalanalysis)

## Income spectrum

This section of the guide aims to help you to broaden your sources of income, and builds on the work of the previous section (scanning the external environment). The underpinning principle here is that your organisation may be jeopardised by relying on a single source of income and that you will wish to minimise that risk.

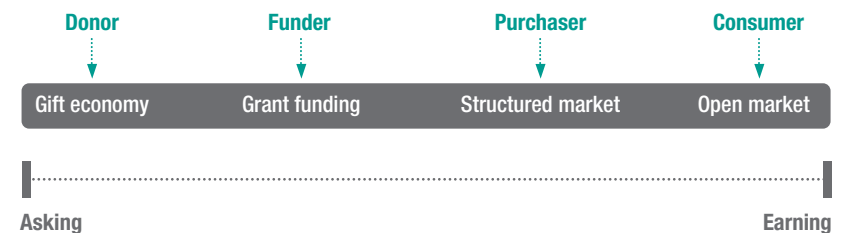
The vulnerability of your funding may result from circumstances outside your control. Building a diversified funding 'portfolio' will help you to create a more sustainable and effective resource, rather than a more short-term 'fix', which may be more expensive and not in line with strategy.

## Preparing to diversify

There are a number of activities that you and your team can undertake to begin the process.

1. Start with a thorough analysis of your current income stream(s) in terms of:
  - Who gives?
  - How much?
  - How is it given?
  - How often?

Income spectrum (adapted from NCVO's 'Income spectrum – asking to earning')



Use the 'Income spectrum' diagram above to plot your current income stream(s) and analyse what it tells you about your current income streams. Most importantly build your internal understanding of the changes that you may need to make in order to develop new income streams.

2. Look at organisations with which you compete or collaborate, those who deliver similar charitable benefits or are of a similar size in another location (much of this information is in the public domain, through websites, annual reports etc.). Use this analysis to develop a hit list of possible new areas of income generation and find out about what works and does not work for other organisations.

3. Systematically develop a list of new potential givers/audiences to whom you have, or could have access, through the wider circle of your supporters, social benefit groups (such as Rotary, Roundtable etc.), businesses, sports and leisure clubs, schools, trade bodies.
4. Understand your people pool. There are certain kinds of individual knowledge and aptitudes your organisation will need to raise money more effectively. Check the list below:
  - **Ambassadors** who can communicate the message well and open routes to new people
  - **Introducers** who both can and are prepared to open doors
  - **Influencers** who will both guide you and lobby for you in a quiet way
  - **Askers** who will 'close the deal'.

These are roles that can be undertaken by volunteers, but you will need to make sure that they are properly supported by a staff member, trustee or dedicated volunteer coordinator.
5. Plan in advance who from the leadership is going to champion such new fundraising initiatives and ensure they are followed through effectively.

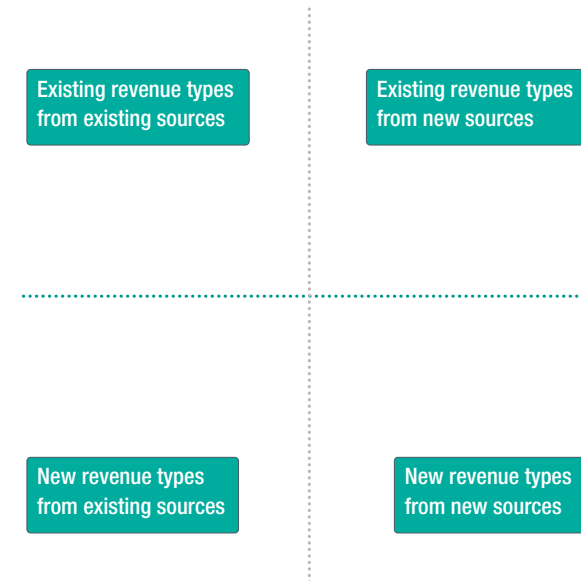
## Doing the groundwork

1. Use the analysis of your current income to develop your ideas and action plans for the future. The 'Income mix matrix' on the opposite page will help you to reflect on the balance of your income streams and chart new potential funding streams.
 

If your income streams currently sit largely in the top left quadrant, ask whether you are over-reliant on too limited a spectrum of income. This may represent an aversion to risk but could at the same time put your activity at risk of disruption.

Too much in the bottom right hand quadrant suggests a scattergun approach to your fundraising – i.e. not focused enough to succeed.

Income mix matrix



2. Be very clear about the resource implications (both direct and in management time and other costs) for each proposed new area and beware of diluting support to existing revenue.
3. Ensure you are all clear about who your audience will be in each quadrant of the matrix, and devise an 'ask' that will prompt them to support you.
4. Consider how existing stakeholders may react to any new activities; plan how you will communicate these to help them be comfortable with the change.
5. Try and anticipate how changes in your activities may be perceived by the media and the wider public; prepare your people to manage this with confidence.
6. It will be helpful if your leadership team have a clear policy and strategy about risk which is clearly communicated. Plan review

milestones along the way; it will help to contain and minimise the risks.

7. You will find it useful and reassuring to have a risk management and audit process for your income-generating activities and to use it regularly as the basis of your review.

### Risk management and monitoring tools for income generation activities

A tool like the one below will help you to identify the risks associated with a particular activity, ensure that appropriate policies exist, are acted on, and are communicated, monitored, reported and reviewed.



#### Risk assessment tool

Activity name	
Associated risks (e.g. to cash flow, profitability, reputation, focus, personal safety)	
Associated resource requirements (e.g. direct costs, indirect costs)	
Policy/policies required (who to write, who to approve)	
Monitoring (by whom, frequency)	
Reporting (by whom, to whom, frequency)	
Review (by whom, to whom, frequency)	

Some of your new income generating initiatives may depend on volunteers. If this is the case, invest the same care and attention in them as you do for your staff, ensuring they are well equipped and clear about policies and procedures – and that an experienced person supports them.



- Be realistic about the gaps in skills and knowledge and experience in relation to any proposed new activity; work out how to provide for training and development.



- Be realistic about timescales for growing new funding. It is not helpful to you, your trustees or your staff to have unrealistic expectations about when new funds will be available.

### Develop a three-year view based on the questions below:

- How should our income spread look in three years' time?
- To deliver this, what should it look like in two years' time?
- To achieve this, what should it look like in twelve months' time?
- What month-by-month action plan must we have in the first year in order to reach this?

### Trading

Many nonprofit organisations are looking to develop income through some form of trading or social enterprise activity. Although not a legal definition, there is a consensus that a 'social enterprise' is a business:

- that operates primarily for social (including environmental) purposes
- where trading is the main source of income
- where the surplus is primarily reinvested for that social purpose in the business or the community in which trading is the main source of income.

Some organisations cover many of their costs by generating revenue from their mission knowing that their clients will be unable to pay for their services at full cost. Other organisations have services free at the point of delivery (hospices, for example) and use trading as one element in a spread of income-generating activities to cover all their costs. In the last of these, their trading activities can be quite unrelated to their charitable activities and might include shops selling donated goods, Christmas cards, branded goods etc.

Look at NCVO's *Good guide to trading*; it encapsulates the different types and extents of trading activity, the differing legal entities involved and the organisational planning entailed.



- Do not confuse selling a few branded items as part of awareness raising with starting a full trading activity! The latter will require new/different skills and resources.



- Take time to find out and learn from the experience, successful and otherwise, of other organisations.



- Consider collaborative working to shorten the learning curve and spread the risk.

## Grants

### Who gives grants?

This section helps you think about the implications of seeking out new grant funding.

The term '**grant maker**' defines any organisation that makes grants – a one-way, non-contractual, transfer of money or other assets for a social purpose (often charitable but not always). The grant maker can be charitable, public or commercial. There is no legal obligation to perform a service – though there usually is some form of agreement.

To be a successful grant seeker, you will need to dedicate resources to it – not necessarily a full time or paid role, but enough to undertake the research, form filling and report writing needed.

Grant funding has some generic characteristics irrespective of source:

- it is not repayable
- it is available to organisations whose area of charitable activity meets specific funding criteria
- final decisions about grants are usually made by the board or a sub-committee
- it has an explicit process and timetable for grant making
- it requires a report on the work funded, in order to demonstrate that you have used their money well.

The information for each application will be broadly the same, although grant makers each have their own process with differences in style and presentation. It is therefore worth preparing information about your organisation in anticipation of applications. It will save time if you ensure that information can be easily extracted from your financial systems and management reports.



- It is easier to secure grants for specific or ring-fenced projects (rather than core funding).



- Grantees are normally published on grant makers' websites etc. Look up the funder and see the kind of things they like to fund and how much they usually give. Then tailor your project (remain on-mission!) to improve your chances of success.



- A good income-generating programme will involve building a relationship with grant makers. Good relationship management is as important for grant makers as for any other donor.

## Things to consider

There are a few grant makers who will help to fund core costs, but only if satisfied that they directly enable the grantee to deliver its charitable objectives.

You can only expect to achieve a good flow of grant income by producing many high quality applications; a good proportion of these may not be successful. Establish the reasons for rejection, so that you can apply your learning to future applications.

## Donations

Establish the key building blocks:

- identified audiences to whom you have access through your organisation's circles of influence
- clear evidence that your organisation is making a difference
- strong messages that can motivate donors
- policies and behaviours that demonstrate that you value donors
- enough people (paid and voluntary) with the right skills and experience
- transparent processes for receiving, acknowledging and accounting for donations
- awareness of all tax efficient giving schemes
- accounting systems that can monitor the cost effectiveness of individual campaigns.



## Getting started

- Research the networks and circles of influence of everyone in your organisation. Find pathways to potential donors.
- Develop the right messages about what you deliver, (not necessarily what you do). Be clear about whether you seek a one-off or recurring donation.
- Make clear what service delivery revenue funding will make possible in terms of '£25 enables us to support a child at risk' rather than 'administration costs and overheads'.
- Make donors feel a real connection to your beneficiaries.
- Identify individuals/organisations that habitually raise money for 'a charity'. Funds raised by others are resource efficient for you; you don't have to run a marathon yourself!  
Often the best 'askers' are volunteers who have themselves given, but they will require support. Be realistic about the extent to which you can rely on their volunteer effort.
- Take care of existing donors; nurture your relationship and don't over use them; donor fatigue is a reality so be constantly on the lookout for new donors.
- Provide training and development of both staff and volunteers.

## Repayable finance

**Repayable finance** is given on the basis that it is a loan that will be repaid, in an agreed manner and timescale, with or without interest. There are organisations, such as Venturesome, an initiative of CAF, the Charities Aid Foundation, and Charity Bank, who provide what is termed 'social finance' to civil society organisations. They operate in the space between providers of charitable grants and providers of bank loans at commercial rates.

Some government money, through Futurebuilders, for example, is available on a repayable basis to organisations, where there is a reliable, evidence-backed expectation of future revenues out of which the loan will be repaid.



● If your organisation is even considering repayable finance, it would be wise to ensure that there is adequate expertise in finance direction and management for it to be sustainable.



● If your organisation relies significantly on donations as a source of income, it is worth remembering that many donors may not like giving money to pay back capital or interest to lenders. At the very least this will impact how a loan is structured/incorporated and communicated to stakeholders.



● Taking on debt affects your organisation's risk-profile, which must be taken into account when evaluating the cost/benefit and impact of financing alternatives.

## Public service delivery

### Securing public service contracts

This section offers information about commissioning, its intention, and a summary of a complex legislative framework. Commissioning is the process by which government departments and local authorities secure the services they provide for the residents of their area. This

is usually done through a legal procurement process that requires potential service providers to submit a tender. It is often a multi-stage process.

If you are interested in the delivery of public services (whether as a social enterprise or a charity) you will explore the possibility of getting your services procured by the public sector. You may find you need to deal with a local body like a local authority or a Primary Care Trust, or a national body like the Department of Work and Pensions or the Learning and Skills Council.

Work required to submit a tender and the legal obligations of entering into a contract may be daunting, but it can mean that you are able to do the work you want to do, at an agreed price for the entire length of the contract. You may wish to consider the possibility of collaborating with another organisation to increase your chances of success and maximise the impact for your beneficiaries.

You will need to weigh these advantages against the limitations, which may include a demanding procurement process and the need to develop new monitoring and performance reporting.

## Understanding the commissioning environment

### The planning framework behind public service delivery

There is now a Government imperative to ensure that specific pieces of legislation and strategy, governing a spectrum of services, are influenced by both EU and Government policy. This national framework influences the local strategy documents and planning processes, for example as carried out by the Primary Care Trust or the local authority. However, it gives the local 'agent' (commissioner) flexibility in choosing how they want to deliver services as long as they meet key targets and duties.

Consequently national bodies like the Office of the Third Sector and the Compact Commission have a significant role in improving third sector access to procurement opportunities. Although you may not

have come into contact directly with these bodies, at your local level you may choose to try and access networking bodies like the Local Strategic Partnership, which bring together the public, private and community sectors, so that you can keep track of the commissioning issues in your local area.

## Commissioning and procurement

This is the process by which commissioning bodies like local authorities enter into contracts with third parties to deliver the legislative requirements for specific services.

Be aware that many services of interest to us in the third sector, such as health, education and recreation, come outside the scope of the full law (classified as 'Part B' services).



You can find out more about EU and UK procurement regulations on the Outlaw website: [www.out-law.com/page-5964](http://www.out-law.com/page-5964)

## The Compact

The Compact is a formally negotiated agreement between the Government and the Voluntary and Community Sector to establish a mutually acceptable framework for their work. It is recognised as a framework for working with the third sector.

The Compact is governed by five explicit codes of good practice

1. Funding and procurement
2. Consultation and policy appraisal
3. Black and minority ethnic groups
4. Volunteering
5. Community groups.

NCVO has a comprehensive Compact advocacy programme and you will find it a useful entry point (with many valuable resources including case studies) if you are thinking about securing statutory contracts of

any kind. Their website ([www.ncvo-vol.org.uk/compactadvocacy](http://www.ncvo-vol.org.uk/compactadvocacy)) gives access to a summary of Compact code undertakings by Government and a summary of Compact undertakings by the VCS.

Local and regional Compacts have also been developed to support good partnership working locally between the sector; many local authorities now have a local Compact agreement you can access.

For further information on the Compact, local Compacts and the codes of good practice go to [www.thecompact.org.uk](http://www.thecompact.org.uk)

## Obtaining local value

Check the criteria used in your local area for selecting contractors for public services. Many people assume – mistakenly – that tenders must be assessed on price alone. However, commissioners can evaluate in accordance with MEAT (Most Economically Advantageous Tender) or can choose to insert 'social clauses', specifying that a service is to be carried out in a way which benefits the local area or that prime contractors must work with specific third sector sub-contractors.

## Lobbying, advocacy and relationship development

Securing a tender may be part of a process in establishing a long-term relationship with commissioners in your local area; this building of mutual trust inevitably takes time. If your organisation has no track record with the commissioner, build your contacts with the local authority long before the tender is issued.

Be clear and bear in mind what the commissioner is seeking to achieve and aim to communicate your successes in relation to that. Try also to put your work and contribution in the context of the local debate (regarding the shape and future of service delivery). Starting points to this may include:

- responding to local authority strategy or planning papers
- being seen to react to changes in national policy direction
- offering to help the local authority respond to emerging issues or opportunities.

Make sure you have done your environmental scanning and have identified your income priorities.

### Personalisation and individual budgets

In health and social care, changes in national policy will give service users increasing control of their own care budgets. The full implications of this are still emerging, but the procurement framework for these services will be transformed in the longer term. If you want to deliver these publicly-funded services, think strategically and establish what your costs will be in this new way of working.

### Cost and impact

Get a realistic assessment of the cost of your service and what you can charge for, balancing being competitive with covering your management costs.

If you decide to tender to run a service, you will have to tailor the delivery of a top quality service ambition to a local authority budget. Before you decide where to pitch your tender price, make sure you develop a business plan and budget and ensure that all costs and risks are considered.

### Legislative compliance

In order to make it through the screening process for tenders, you will have to demonstrate that you can meet the requirements of the legislation for the delivery of your type of service, as well as compliance with UK legislation such as equal opportunities and health and safety laws. Make sure you know what these requirements are, as it is easy to be rejected at the screening stage on this kind of technicality.

### Measurement and evidence

Draw the attention of prospective commissioners by painting a clear picture of what you can do, and providing evidence about the effectiveness of your work. As part of any tender for work, you will be

required to set targets and to deliver the work in accordance with them. Establish what targets you can deliver within your price, given your mission and your key beneficiary groups. Make sure you know what your commissioner wants (effective environmental scanning); it will improve your chances and help you to set up effective and cost-effective monitoring systems.



The Charities Evaluation Service has a very useful website with a range of resources on monitoring and evaluation: [www.ces-vol.org.uk/index.cfm?pg=40](http://www.ces-vol.org.uk/index.cfm?pg=40)

### Quality assurance

There is a wide range of quality assurance schemes. If you want to understand the capacity of your organisation for sustainability, then start with the **SELF-ASSESSMENT** guide.



See the Cass Centre for Charity Effectiveness Tools for Success: self-assessment online diagnostic tool at [www.knowhownonprofit.org/tools-for-success/self\\_assessment](http://www.knowhownonprofit.org/tools-for-success/self_assessment)

For most small groups PQASSO is a helpful scheme, especially if you have relatively little experience of monitoring systems. However, as you grow you should consider becoming compliant with one of the bigger, more demanding schemes. These include the Investors in People and ISO and the European ISO standards.

You will be well advised to opt for one of these if you want to succeed in the tendering process, since commissioners regard these as an additional reassurance that they are buying competent and professional service delivery.



See PQASSO ([www.ces-vol.org.uk/index.cfm?pg=42](http://www.ces-vol.org.uk/index.cfm?pg=42)); ISO (The International Organization for Standardization) Schemes ([www.iso.org/iso/home.htm](http://www.iso.org/iso/home.htm)); and Investors in People ([www.investorsinpeople.co.uk/Pages/Home](http://www.investorsinpeople.co.uk/Pages/Home))

## Full cost recovery

Historically, many grant agreements have not allowed for third sector organisations to recoup their management costs and the reserves, unrestricted funds and/or the quality of the work may have suffered as a result.

The 'Full cost recovery' toolkit developed by ACEVO will help you consider and budget for your overheads as a basis for charging for a specific service. You will still have to decide whether your overheads are too expensive for the tender.



The ACEVO 'Full cost recovery' toolkit can be accessed online at: [www.fullcostrecovery.org.uk](http://www.fullcostrecovery.org.uk)

## Stages in tendering for contracts

### 1. Tender advertisements

Sometimes in order to respond to an advert you will first have to submit a very simple Expression of Interest (EOI).



For more information, go to [www.tendersdirect.co.uk](http://www.tendersdirect.co.uk); health tenders in England will be issued through [www.supply2health.nhs.uk](http://www.supply2health.nhs.uk)

## 2. Pre-Qualification Questionnaire

Processes start with the Pre-Qualification Questionnaire (Pre-Qual or PQQ). There is no standard format for this but the Office of Government Commerce has developed a template (see [www.ogc.gov.uk/policy\\_and\\_standards\\_framework\\_pre-qualification\\_questionnaire\\_pqq.asp](http://www.ogc.gov.uk/policy_and_standards_framework_pre-qualification_questionnaire_pqq.asp)).

The purpose of the PQQ is to set out the information by which the commissioner might assess the suitability of different suppliers to deliver the service.

### 3. Invitation to tender

While the PQQ will be more about your suitability as a provider, the Invitation to Tender or ITT will focus on the specific proposal, including a detailed submission on how you will deliver the service and how much it will cost.

### 4. Interview and presentation

You may be asked to present your proposal to the commissioning body. In planning your presentation make sure you are able to present your proposal succinctly and can answer a range of questions (practise together if you can).

### 5. Negotiation

There are a number of points in the process at which negotiation might be permitted once you have been shortlisted and once you have won the contract. It may also be possible once you have commenced service delivery.

To negotiate well, thoroughly research and understand what the other person wants and be clear of your own position. Aim to understand the commissioner's needs by meeting and planning questions that will help you achieve this insight.

ACEVO has published the 'Win-Win' guide to negotiation as well as producing a fact sheet on the subject.

## Alternatives to full contracts

For most small groups, winning a contract will seem like a big jump. The options below offer some alternative opportunities.

### Service level agreements

The service level agreement (SLA) is a negotiated agreement between the service provider and the commissioner. It lays out the terms of the service and includes performance requirements.

There may be circumstances in which you do not want to tender, but want instead to be funded to trial a particular service. One way to do this is to develop a SLA.

This kind of agreement is particularly relevant if the type of service you are proposing is a new one for your area. A service level agreement will enable you to see how it works in your specific area – sometimes referred to as ‘action research’, since you are researching the need and the form of delivery by running the service, whilst tracking its progress and outcomes.

### Subcontracting

You might find opportunities to take a small subcontract from the winner of the tender (generally referred to in commissioning processes as a ‘prime contractor’, i.e. the organisation that has won the entire contract.)

If your organisation is offering specialist technical expertise and capability, prime contractors will be interested in working with you.

### Partnership working and consortia in public service delivery

If you are a small or niche provider, partnership working might allow you to get a foothold in procurement as part of a consortium, with other experienced third sector organisations or private sector companies.



bassac provides support and access to resources on collaborative working. Their Collaboration Benefits programme offers training and support to community and voluntary organisations wanting to develop strong and successful partnerships. See [www.bassac.org.uk/our-programmes/collaboration](http://www.bassac.org.uk/our-programmes/collaboration)



NCVO's Public Service Delivery Network offers a wide range of resources for VCOs engaged in or considering service delivery under contract and for commissioners working with the voluntary sector. See [www.ncvo-vol.org.uk/publicservicedelivery/](http://www.ncvo-vol.org.uk/publicservicedelivery/)

You can find more information on developing other ways of working together below in the section on collaboration.

## Collaboration

### Networking to establish fruitful relationships

#### Building on the Networks guide

This section will help you plan how to develop and capitalise on your networks. You will already have information on key players and mapping the territory from the [NETWORKS GUIDE](#). Here are some further areas to work on.

Review your earlier assessments of the external environment. Note even the small emerging trends or players and carefully capture early

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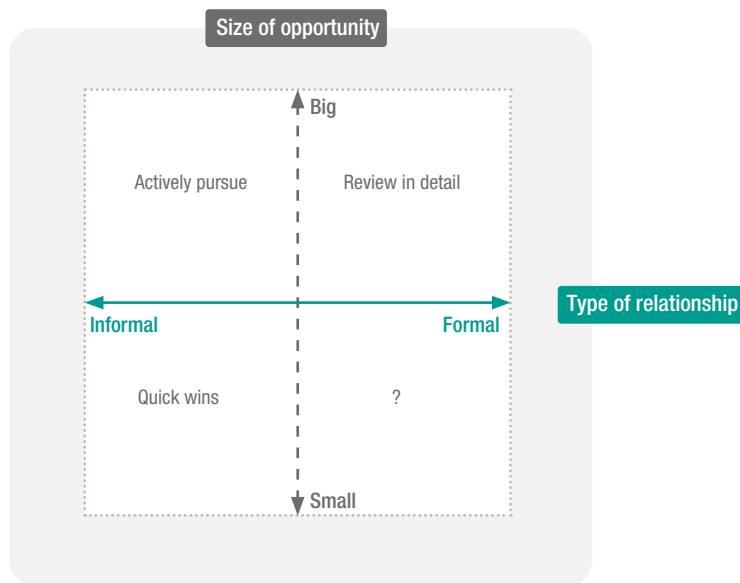
thoughts on your likely response, even if ultimately some do not materialise as significant.

Taking updated players you have identified, plot their positions on the following matrix. Base this on your assessment of:

- the size of opportunity offered by working together
- how formal or informal the relationship needs to be.

This should inform how much work will be needed to make it happen.

Identifying networking and collaborative opportunities (adapted from a diagram by Messer Ltd 2009)



### What next?

Keep it simple.

Your analysis of potential relationships with others may reveal some immediate actions – some ‘quick wins’. There will also be findings that will take longer to evaluate.

Use the table below to help record your top five opportunities – concentrating on the most potentially productive ones. Include your first actions to ensure progress; be guided by the comments you have made in each box of the ‘networking and collaborative opportunities’ matrix on p.32.



### Recording your top five opportunities

Priority (1 to 5)	Player name	Type of opportunity: formal or informal (explain)	First actions

### How do I establish collaborative arrangements?

You probably already have conversations with other players and stakeholders about things of relevance to you both. You may actively seek out and meet people, sharing information about what you do or want to do. This kind of communication can lay foundations for future collaborations.



Look at not-for-profit collaboration websites such as [www.vcscollaborate.org](http://www.vcscollaborate.org) or [www.bassac.org.uk/collaborationbenefits](http://www.bassac.org.uk/collaborationbenefits), as well as local networks that alert you to potential players in your field.

## Collaboration options

It is important to be clear why you want collaboration and what results you seek. Crucially, you need to ensure that you will achieve more for your beneficiaries by working with others than you would alone. Use the options described below to guide your analysis and the approach you then develop.

### 1. Complement

This requires you to understand your current position in the market and to position your resources and operations to optimise your effectiveness in a way that complements other providers' services. You will need information about key players, beneficiary groups, types of services delivered and geographic reach. Ask questions such as 'what is unique about each provider?'

It is not always the simplest option, but may be less complex to implement provided you have done enough research and planning.



Revisit the [NETWORKS GUIDE](#) (pp 4–6) to help you understand how to complement other players' work in a way that helps you achieve your mission and objectives.

You may find that you do not need to directly approach the other third sector organisations and that you have the information you need to plan complementary work. But it will always be useful to meet; it can lead to longer term unanticipated benefits. Keep your trustees and management team involved, so they too can spot new opportunities for complementing the work of others. The final decision on any collaboration or merger, of course, rests with the trustees.

## 2. Informal collaboration

This is one of the most frequent forms of collaboration – but is sometimes not recognised as such. It is unlikely to involve any legal agreements, contracts or formality, although sometimes you may be able to share costs, for example with advertising or simple event management, shared venues etc.

Whilst informal collaboration can be undertaken by two charities, it is not unusual to find that larger numbers/groups of organisations are involved. These groupings may be regional- or area-based, or have potential beneficiaries or impact in common.

Successful informal collaborations enable organisations to retain their identity and remain separate. It is a low cost option offering modest benefits and occasionally more substantial breakthrough opportunities.

Informal collaboration may take the form of special interest group meetings (not necessarily frequent) and information sharing. You are probably already participating in informal collaborations; work out which are useful and which additional ones it would be productive to develop.

## 3. Formal collaboration

All the options below (4 to 7) are types of formal collaboration. However, they have distinct and unique characteristics, with individual costs, complexity and benefit profiles. You can reflect on these using the 'Identifying networking and collaborative opportunities' matrix on p.32.

Formal collaboration is well suited to both small and larger charities, is wide-ranging and varied and includes sharing resources – particularly premises, equipment, or training facilities.

Formal collaboration is sometimes used to achieve funding, buying-power or investment; it can provide greater discounts or access to opportunities otherwise unavailable to a single charity.

If you want a formal collaboration, focus at an early stage on how you plan to manage the relationship. This is crucial, since it ensures that there is common ground and understanding about purpose and processes. So define the accountabilities and responsibilities clearly at the outset. Reliable documentation processes, stakeholder management and financial monitoring are also very important.

Invest time in researching the best opportunities; it will yield returns in both cost savings and additional income.

#### 4. Joint venture

Joint ventures are generally more substantial initiatives than informal and formal collaboration and take place over a longer period. Some of the larger initiatives can involve overseas partners.

Joint ventures typically aim to extend the scope of beneficiary fundraising, develop service delivery or new campaign initiatives. They are likely to be project or programme specific and require formal planning, marketing and delivery. If you decide to undertake a joint venture, make sure that you have the people and skills capacity – particularly project and financial management. Such projects can only succeed if they have committed ‘sponsorship’ at an appropriate level in the organisations involved.

If you are considering a commercial joint venture, take care that you consider the impact it may have on the charity’s image or brand, as well as checking out the tax implications.

#### Case study:

#### Bankers Benevolent Fund (BBF) and National Autistic Society (NAS)

In 2006 BBF refocused part of their grant giving through a partnership with NAS. They identified autism as an issue that affects a large number of individuals in the banking community and formed a partnership with NAS to raise awareness amongst people in the banking community, and to help families who are affected by autism. It involved tailored support based on individual needs including courses, helplines and practical guides.

Beneficiaries received help that without the partnership, BBF ([www.bbfund.org.uk](http://www.bbfund.org.uk)) would have not have been able to provide.

#### 5. Vertical integration

In this context, this is a collaborative, contractual relationship between organisations – often a larger national and smaller regional organisation – to deliver an integrated service. For example, joining up primary and secondary care in the NHS to reduce hospital admissions. Experience in the sector suggests that organisations have preferred smaller informal or formal collaborations. This may be because:

- vertical integration requires labour-intensive negotiations and contractual requirements
- there are substantial risks of perceived loss of identity and the loss of control
- multiple and sometimes complex stakeholder management is needed
- division of costs and allocation of benefits may be troublesome.

More formal subcontracting arrangements should not be at the expense of informal and in-kind support that larger VCS organisations often provide to smaller VCS organisations.

## 6. Outsourcing

Both smaller and larger organisations are increasingly looking to outsourcing to increase internal capacity, with human resources, IT, training, accounts and payroll having been successfully delivered to third sector organisations. Be aware that the size of the charity may determine whether it is a cost effective option. Make sure that someone does a cost and benefit analysis – it can be a relatively simple one, but should be done!

Look carefully at how outsourcing might impact on beneficiaries and users; it is likely to be a mixed picture, with a trade off between disadvantages and benefits. Be mindful too of the impact on your staff as outsourcing may result in some roles changing or disappearing. If you are thinking about outsourcing, also consider longer term needs, including retraining or recruitment of your staff.

For all these reasons, it is worth exploring gaps in your organisation which might be filled by outsourcing. However, outsourcing will not succeed unless to begin with you ensure:

- clarity about objectives
- basic routines and ways of working in are good shape.



If you decide to outsource some work, allocate a member of your staff to manage the outsourcing partner relationship – note that this will call on their time. It will increase the likelihood of success.

## 7. Merger

A **merger** is a coming together of two or more organisations which have complementary characteristics/services etc. In the third sector, barriers to mergers are being removed, for example the Charities Act 2006 took away a number of legal obstacles. Government funding is also more available to support mergers.

It is helpful to set aside the pre-conception that mergers are only to be undertaken in a crisis, and consider the option of a merger when things in your organisation are going well. It is often the option which produces the best outcome to beneficiaries and users, but may also be the most complex. Be prepared to withdraw if unforeseen problems change the balance of benefit and disadvantages.

If you do consider a merger, it is essential that you have a very thorough 'due diligence' process. Due diligence describes the investigative steps organisations take to assure themselves that a merger is in the best interests of their organisations and beneficiaries. The results should give you full knowledge of the organisation with which you want to merge. You will almost certainly need the help of experts.

In planning a merger, the areas you must cover are:

1. a detailed review of the governing documents of the organisation and any dissolution clause. If this is complicated in your case, seek legal advice or contact the Charities Commission specialists. Establish sound project management of the merger process, this will help you to have a clear assessment of the costs involved.
2. a good, consistent way of communicating with staff, volunteers, beneficiaries and users, funders and other stakeholders.
3. an awareness of the needs of the people you work for and with – you cannot assume cultural integration will 'just happen'; it may be complex and you need to plan to achieve it.
4. TUPE and pension issues; these may need Employment Law expertise.

### Practical issues and deal-breakers

- What should the organisation be called?
- What are the cultural differences which need to be overcome and how will this be accomplished?
- How will the organisation work, e.g. offices, staff, services, systems etc?

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- How will 'business as usual' and 'creating the new' be managed without losing momentum and quality?
- What cost savings are there?
- How will supporters and staff be engaged?
- What are the liabilities, current and contingent?

## And finally...

Take a lead in ensuring that the best interests of *future* generations of users and beneficiaries remains paramount, whilst bearing in mind that it can take many years to fully realise the benefits of a merger. That is not a reason for rejecting the idea, but it needs to be clear to all concerned and should inform the final decision.

## Signposts

### Publications

ACEVO publication: *Managing mergers – a guide*. A practical guide to the management of mergers in the third sector, based on case studies of CEOs who have led their organisations through the process. ISBN: 1 900685 21 3

Cathy Pharoah (ESRC Centre for Charitable Giving and Philanthropy), Jenny Harrow and Ian Mocroft, 'Scoping the charity outsourcing market' ([www.cass.city.ac.uk/cce/resources/research-papers](http://www.cass.city.ac.uk/cce/resources/research-papers))

Charity Finance (Haymarket) is a source of developments in the capital market for civil society organisations

Charity Commission: guidance note CC34 'Collaborative working and mergers' provides further information ([www.charitycommission.gov.uk/publications/cc34.asp](http://www.charitycommission.gov.uk/publications/cc34.asp))

Copeman C and Griffith M (2007) *Looking out: how to make sense of your organisation's external environment*, London: NCVO

Copeman, C, Bruce, I, Forrest, A, Lesirge, R, Palmer, P and Patel, A (2008) *Tools for tomorrow: a guide to strategic planning*, London: NCVO

NCVO website ([www.ncvo-vol.org.uk](http://www.ncvo-vol.org.uk)) 'Outsourcing: successful outsourcing checklist'; 'Outsourcing pros and cons'; 'Due diligence demystified' (at [www.ncvo-vol.org.uk/duediligence](http://www.ncvo-vol.org.uk/duediligence)); and 'Merger' (at [www.ncvo-vol.org.uk/merger](http://www.ncvo-vol.org.uk/merger))

Venturesome publication (September 2008): *Financing civil society – a practitioner's view of the UK social investment market*. This is essential reading for any organisation contemplating using repayable finance to grow their organisation, as it provides a concise and comprehensive overview of capital needs, supply, terms etc; for more information go to [www.cafonline.org/default.aspx?page=6903](http://www.cafonline.org/default.aspx?page=6903)

## Websites

**ACEVO** has some useful advice and tools on its recession support website, including guides on managing in demanding circumstances [www.recessionsupport.org.uk](http://www.recessionsupport.org.uk)

**ACF** (Association of Charitable Foundations) has 300+ members, ranging from small and local grant makers to the largest foundations see [www.acf.org.uk](http://www.acf.org.uk) and **CAF** (Charities Aid Foundation) at [www.cafonline.org](http://www.cafonline.org). Both provide information and support for grant seekers.

**bassac** has resources – including a searchable database – and practical tools on collaborative working on their website at [www.bassac.org.uk/our-programmes/collaboration](http://www.bassac.org.uk/our-programmes/collaboration)

Subscription databases include **Caritas** [www.caritasdata.co.uk](http://www.caritasdata.co.uk) and **Funder Finder** [www.funderfinder.org.uk](http://www.funderfinder.org.uk)

Free information about grant-making organisations is readily available from the **Charity Commission**: [www.charitycommission.gov.uk](http://www.charitycommission.gov.uk) and **Guidestar** [www.guidestar.org.uk](http://www.guidestar.org.uk)

**Futurebuilders** helps third sector organisations access loan financing [www.futurebuilders-england.org.uk/](http://www.futurebuilders-england.org.uk/)

**Honorary Treasurer's Forum** (previously the Charity Treasurer's Forum) [www.treasurersforum.org.uk/](http://www.treasurersforum.org.uk/)

**KnowHow NonProfit** [www.knowhownonprofit.org](http://www.knowhownonprofit.org)

**NCVO** has guidance about collaboration [www.ncvo-vol.org.uk/collaborate](http://www.ncvo-vol.org.uk/collaborate)

Comprehensive details of government initiatives for funding available through the **Office of the Third Sector** [www.cabinetoffice.gov.uk/third\\_sector](http://www.cabinetoffice.gov.uk/third_sector)

**Third Sector** daily news briefing is a good source of prompts of breaking news about government-backed initiatives for funding [www.thirdsector.co.uk/News/DailyBulletin](http://www.thirdsector.co.uk/News/DailyBulletin)

**Third Sector Foresight** includes a searchable bank of drivers, the facility for you to store the drivers you are interested in, discussion forums about drivers, and much more at [www.3s4.org.uk/](http://www.3s4.org.uk/)

## Courses

Cass Centre for Charity Effectiveness also offers training and support in many aspects, including MSc, diploma and master classes for Charity Finance Directors.

For more information about our short courses, master classes and other events including MSc, and post-graduate diploma programmes see [www.cass.city.ac.uk/cce/courses/index.html](http://www.cass.city.ac.uk/cce/courses/index.html)

## Links to PQASSO

PQASSO is the practical quality assurance system for small organisations designed by Charities Evaluation Services. Independent data suggest PQASSO is by far the most widely-used quality system in the voluntary and community sector (VCS). For more information, see [www.ces-vol.org.uk](http://www.ces-vol.org.uk)

Following this guide will help you to meet several of the indicators of PQASSO quality areas 1 (Planning for quality), 7 (Managing money), and 10 (Networking and partnership) in the second edition, and PQASSO quality areas 1 (Planning), 7 (Managing money) and 10 (Working with others) in the third edition of the framework.

1. Introduction
2. Self-assessment
3. Compliance
4. Governance
5. Direction
6. Finance
7. People
8. Operations
9. Networks
- 10. Revitalise**

**Tools for success:  
doing the right things and doing them right**

This guide aims to help you to make the most of potential income sources, as well as maximising your opportunities to work with others, reduce costs and add value for beneficiaries. It covers key areas that can help you revitalise your organisation and set it on a secure footing.

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