



# Love Your Tender

A guide to contracting  
for the Children and  
Young People's voluntary  
and community sector

**Children  
England**  
Charities working for  
children and families



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# Children England

Charities working for children and families

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# Introduction

'Love Your Tender' was first published in 2009 in recognition of the increasing trend for public services to be delivered by the voluntary and community sector and the move from funding these services through grants to contracts.

Since 2009 this trend has continued and looks set to increase still further. However, the environment in which the voluntary and community sector is working has changed considerably and this is already having a major impact on small and medium sized organisations delivering front line services to children and young people. Policies and legislation based on a philosophy of 'localism' are being developed with Local authorities who in future will have their own improvement targets, agreed with the community (formerly referred to as Local Area Agreements and agreed with the Government). Community strategies are still in existence and, councils are being encouraged to include a social enterprise engagement plan in their community strategies and may, in future, be obliged to include social, economic and environmental well-being in all their procurements.

Public sector funding has been severely reduced, especially to local authorities and this is having a major impact on the voluntary and community sector (VCS). The commissioning and contracting environment is becoming ever more challenging. Within the VCS, major changes are taking place in how capacity building is delivered nationally and the introduction of new financial models. The 'localism' agenda is encouraging the public sector to transfer services to staff mutuals, social enterprises and, in some cases, to be delivered by volunteers. At a local level, many children and young peoples organisations in the voluntary and community sector are already struggling to survive.

This second edition of 'Love Your Tender' retains and updates the essential guidance and good practice information on contracting, whilst adding information about new forms of funding available, updates on legislation and ideas on how to survive in an ever increasingly competitive world. In particular it intends to;

- Explain about a typical contracting process.
- Help you to decide if you are 'tender ready'.
- Signpost to additional resources.
- Guide you through aspects of contracting that are especially tricky or need special consideration.
- Offer helpful tips, exercises and checklists.

This guide consists of five sections:

- Background information.
- Are you ready to tender?
- Preparing your tender
- Getting to grips with finance.
- Other useful information.

At all times, it is important to remember why your group exists, who your beneficiaries are – does the tender fit with who you are and what you do?

Terms written in **purple** can be found in the glossary located at the end of this resource.

Special attention should be paid to paragraphs beginning with '**Health Warning**' as some areas of contracting can be complicated, risky or have legal implications. These sections flag up when it may be advisable to take expert advice or special care.

**Health Warning:** Entering into the contracting environment is not the only option for organisations looking to build a sustainable funding future. There are other models of working, such as creating a social enterprise, building a strong network of private donors or receiving grants from businesses or trusts (none of which are quick and easy solutions!) that should be explored before, or alongside, jumping onto the contracting bandwagon. Your **CVS**, **CVYS** or other local support organisation may be able to help you discover other options.

## Disclaimer

The information in this guide is believed to be correct at the time of publication. It is general in nature and is not intended to be exhaustive nor to provide or replace legal advice in relation to any particular situation.







# Background

Section One

**Children  
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Charities working for  
children and families



## What is contracting and how is it different from grant funding?

Contracting, procurement and commissioning are often used interchangeably, but actually have different meanings.

**Commissioning** describes the process carried out by statutory agencies to assess needs, plan, procure, monitor and evaluate services for the local population.

The commissioning process for children's services is detailed in the government document, *Joint planning and commissioning framework for children, young people and maternity services*, which can be found at <https://www.education.gov.uk/publications/standard/publicationDetail/Page1/ECM-JOINT-FRAMEWORK>

**Procurement** refers to the buying process – finding appropriate providers and entering into contracts with them. Procurement is part of the commissioning process.

**Contracting**, which is part of procurement, is about entering into binding legal agreements with providers, under which services are provided in return for payment.

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In this guide, 'provider' refers to the organisation providing the service and 'commissioner' means the statutory agency responsible for commissioning including procurement.

Commissioners tend to see both grants and contracts as ways to get services provided that meet local needs.

However, it is important to understand the differences between contracts and grants. They have different implications for commissioners and providers.

A **contract** is a binding legal agreement. The commissioner pays the provider to deliver services described in the contract (in the 'specification'). Contracts can be legally 'enforced'. The commissioner's standard terms and conditions describe what can happen if things go wrong. If really necessary commissioners and providers can go to court to enforce their rights under the contract.

Contracts let by statutory agencies are subject to EU procurement law (there are only minimal requirements for children's, young peoples' and family services, see below), as well as UK law, and, in some cases, contracting may have **VAT** implications, which means that you may have to charge VAT. Also important is that while grants are usually paid in advance, contracts generally are not. This may be an issue with your bank, depending on whether they allow an overdraft and how much they allow. It also means taking on increased risk if something goes wrong and the debts are not honoured.

In UK law a **grant** is basically a 'gift' with conditions attached. If things go wrong, the commissioner usually only has one real option – to claw back the money.

Essentially, the commissioner gives money to an organisation to undertake an activity often initiated by the organisation itself. Grants can be given to fund a specific project, which the organisation may be required to monitor and report on or show how the money has been spent. Grants are not covered by EU procurement law.

Unfortunately, the difference between grants and contracts is often not cut and dried. Commissioners may attach conditions to grants which turn them into contracts (that's how the courts would see them). They may ask you to enter into a **Service Level Agreement** (SLA) which is a contract in all but name.

**Health Warning:** You should still get expert legal advice, just to be sure. If it is a contract you may be legally liable for fulfilling the terms of the contract, even if something outside of your control happens. You may also have to register with HM Treasury and charge VAT if it is a contract. (See page 48 for more on VAT.)

### Resources

The *Grantmaking Tango*, produced by the Baring Foundation, describes some of the issues around grants and differentiates between different kinds of grantmaking.

[www.baringfoundation.org.uk/GrantmakingTango.pdf](http://www.baringfoundation.org.uk/GrantmakingTango.pdf)

*Fruitful Funding*, produced by NCVO is another useful source of information about grants.

[www.ncvo-vol.org.uk](http://www.ncvo-vol.org.uk)



## Commissioning cycle



## What is the role of trustees?

Trustees have a legal duty to act in the best interests of the organisation and its stakeholders, particularly the children, young people and families that it serves. Ultimately the trustees in the governing body have responsibility for the overall direction and policy of the organisation and its probity (i.e. that it delivers activities within the law and in good faith). Trustees form the board of a charitable organisation, whether it is called a board of trustees, board of governors or a management committee. Although not all voluntary organisations are required by law to have a trustee board (registered charities and companies must have a board) most funding bodies and public sector agencies will want you to show that you have good systems of accountability in place and will usually require organisations to be properly constituted before entering into a contract.

How an organisation is constituted (for example, whether it is a registered charity or not) will impact on how liable trustees are. (Incorporation can limit liability – ask your local CVS or other support organisation for advice). In some cases this can mean being legally liable for debt incurred or a breach of charity law by the organisation. (Trustees should, therefore, be well enough informed about the circumstances of the tender to take into account both the opportunities and the risks. They need to be able to ensure that any new projects help deliver organisational mission and do not put the organisation's financial position or reputation at risk.)

All organisations should be clear about their aims and objectives – what they are trying to achieve. These should be regularly reviewed and updated and include stakeholders and service users in the discussions. This is then a powerful tool against which to measure potential contracting opportunities and to avoid both wasting the organisation's time and diverting it from its mission, something that can cause an organisation to fail.

**Health Warning:** Trustees are legally responsible for all contracts to which any employee commits the organisation, whether or not the trustee has approved the contract or authorised the employee to enter into it. Internal controls need to be in place to prevent the organisation committing to contracts without trustees' knowledge. A policy which outlines the organisation's position on pursuing contracts and gives clear lines of accountability should be developed and regularly reviewed.

**Health Warning:** Another aspect to be aware of is the new barring scheme, which will be in place from Summer 2012 and will place legal obligations on trustee boards to supply information in certain circumstances. Check the website of the Independent Safeguarding Authority, [www.isa-gov.org.uk](http://www.isa-gov.org.uk), for updates, events and resources.



## Activity: Key questions to consider with trustees

**Consider the overarching implications of contracting to deliver public services for your organisation.**

- Will you be able to deliver public services and stay true to your mission?
- If you campaign or give your service users a voice, will you be able to keep your voice independent and strong?
- If there are changes in public sector priorities, are you strong and independent enough to survive a particular service being decommissioned?
- Will children, young people and families ultimately benefit if you invest your energy in delivering public services?

**Examine the contracts that are being put out to tender in your local area.**

- Who makes funding strategy decisions in your area? What is their approach and proposed timescale for putting contracts out to tender?
- Do you understand how local decisions are made and who is involved in making them?
- If you feel the wrong procurement approach is being used, can you take advice and discuss it with the funder?
- What do you need to do to articulate your USP (unique selling point) in a way that links your work with potential procurement priorities, objectives and award criteria?
- Are there certain contracts that are a good fit with your organisation?
- Is this a direction in which your organisation should be moving or will it cause you to drift away from your organisational purpose?
- Are there contracts for work that you could deliver with more training, resources, support or experience?
- Are there other organisations around to build partnerships or consortia with?
- Can opportunities outside of the current scope of the organisation be pursued? Should they be?
- Think about what resources you will need to invest in your organisation, staff and volunteers in order to be ready to bid for future contracts.
- How can the necessary resources be obtained?
- Do your trustees think that it is an investment that makes sense for your organisation?
- Is it a good investment; will the return justify the cost?

## Resources

For more information about the roles and responsibilities of trustees for children's, young people's and families organisations, see *Governing for Children* at [www.childrenengland.org.uk](http://www.childrenengland.org.uk)

The Charity Commission produces a range of useful guidance for charity trustees, which can be downloaded from their website: [www.charity-commission.gov.uk/](http://www.charity-commission.gov.uk/)

NCVO has additional resources for trustees on governance issues:

[www.ncvo-vol.org.uk/askncvo/TrusteeGovernance](http://www.ncvo-vol.org.uk/askncvo/TrusteeGovernance)

## Are you allowed to contract?

Before going too far down the contracting route, you should ensure that the Charity Commission permits you to do so.

The National Audit Office offers this guidance:

“There is no general prohibition on trading by charities, and hence a charity is also free to enter into contracts for delivery of services, including contracts with government, provided the trustees are satisfied that it is in the interests of the charity and its beneficiaries to do so. This is called primary purpose trading and does not create any liability to corporation tax provided any profits are applied to the support of the services provided (which will virtually always be the case, since a charity cannot distribute profits).

“More complex is the situation where a charity undertakes a trading activity that falls outside its objects. This is generally permissible where the aim is to raise funds to support the charity's objects, although some charities have limits on this in their governing documents and in any case there are strict tax limits on such trading for non-charitable purposes and in some cases corporation tax would be payable. (This tax liability can be averted by arranging for the trade to be undertaken by a non-charitable trading subsidiary company controlled by the charity – but in that case the service is not delivered by the charity itself, but by what becomes a social enterprise.) So, trading for non-charitable purposes by the charity itself is normally limited to small scale fundraising activities: it is not appropriate for a charity to seek to deliver significant public services on this basis.”

## What is the procurement process?

There are many resources available to help you understand commissioning and procurement. This guide provides an overview. At the end of the section there is a list of other sources which go into further detail.

Commissioners have considerable experience of social care procurement but it is concentrated in adult social care and health. Commissioning (including procurement) is still being developed for children's, young peoples' and family services.

You may have noticed that there is a growing tendency for commissioners (including councils and NHS commissioners) to put care contracts out to tender. The tendering process is described below. But tendering is not always used. Commissioners may instead make use of approved/preferred provider lists (discussed below). They may also decide to renew or extend existing contracts by negotiating directly with providers.

Further, if they do decide to tender, rather than tendering contracts individually commissioners may set up 'framework agreements'. If you can get onto a framework you will be one of a finite number of providers eligible to bid for contracts. But there is no guarantee.

## Contracts and framework agreements

Contracts for social care and support (including children's, young peoples' and family services) tend to be described as either –

- Block contracts
- Spot contracts/purchasing
- Cost and volume contracts

With a block contract the commissioner buys a fixed number of sessions ( or other kinds of outputs such as bed spaces ) or hours of service. The commissioner pays regardless of whether all the sessions or hours are used.

A 'spot' contract is what the name suggests. The commissioner buys on the spot. For example, it places a child when the need arises and enters into a contract on the spot (this is the 'pure' model of spot contracting, see below).

'Cost and volume' contracts are a mixture of the two. There is a commitment to buy a fixed number of sessions/beds/hours and an agreed fee per session/bed/hour for anything above that.

A 'framework agreement' (sometimes called a 'framework contract' or a 'call-off contract') is not actually a contract. It sets out the basic terms and conditions that will apply to any future contracts that are awarded. Providers must apply for inclusion on

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the framework and go through an assessment process. The framework agreement lasts for a number of years (say, 4 years). Only providers on the framework are awarded contracts. It is a 'closed' arrangement.

Commissioners take a variety of approaches to pricing. They can publish the fees they are willing to pay ('declared fees' or in the NHS 'the tariff'). Alternatively, if they tender the contract, the commissioner can leave it to providers to insert their own fees or give providers the opportunity to offer a discount or subsidy on the published fees (remember this is being done in competition with other providers). Remember to cost your tender realistically.

### Approved/preferred provider list

Often commissioners maintain approved provider lists. To become an approved provider (sometimes called a preferred provider) you need to go through an assessment process. You will always need to meet registration standards but many commissioners will have their own additional 'quality' standards (you should find out what they are).

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You may need to find out how to get on the local approved provider list (if there is one). Approved provider lists are not the same as 'framework agreements' (although you will come across some confusion about the difference). Approved provider lists are 'open' and new providers can join. They might be advertised every so often. Framework agreements are 'closed'. No new providers can join. If you don't get on it, you have to wait for the framework agreement to expire and then apply for the next one.

Approved provider lists are normally used for 'spot purchasing' – for example the placement of a child in a care home, or for a short break – and the past practice has tended to be to negotiate a contract at the time of the placement.

In recent times, commissioners have developed new methods (in some cases commissioners in a particular region have developed a common approach). To be eligible for contracts providers may be asked to sign up to an umbrella 'pre-placement agreement' (it can be called a number of things) in advance. This sets out basic terms and conditions for contracts and goes beyond the 'approved provider' requirements. When a placement is made, the provider will be asked to enter into an 'individual placement agreement' (again it can be called a variety of things) which includes requirements relating to the individual being placed. That is a contract. There is usually some negotiation when a placement is made.

You may also see references to 'dynamic purchasing systems' (DPS). This expression comes from the

European public procurement rules (see below) but the approach can also be used in situations where the EU rules don't apply. It is similar to a framework agreement but there are some important differences. Most importantly, a dynamic purchasing system is 'open' in the sense that providers can apply to join and leave at any point. However, it's not exactly the same as an approved list as you need to submit an initial tender to get onto the system. (There are additional EU rules for dynamic purchasing systems but those might not be observed since, for care and support contracts, EU advertising is not mandatory).

You should ensure you are linked into your local VCS networks and forums, particularly those related to your Children's Trust and health and wellbeing board as these are often the channels statutory agencies use to get information to the VCS. Your local CVS/CVYS should know about these networks and who represents the VCS on them.

### Tendering

Tendering relies on open competition as the way to find appropriate providers and sometimes as the way to establish the fees that will be paid.

Commissioners will go out to tender for a variety of reasons. It might be because they need a new service or it might be because they think they are no longer getting good value for money from their existing providers.

A commissioner might decide to tender a framework agreement so that it has an ongoing relationship with a small number of high quality or good value for money providers (as opposed, say, to a large number meeting minimum standards, on an approved provider list).

Tendering always involves advertising. EU procurement law (mentioned above) requires some degree of advertising even for so-called 'Part B services' (which include social care and support services for children, young people and families).

Sometimes, commissioners will choose to follow the more demanding procedures for 'Part A' services even if they don't need to. They might do this if they want to 'cast the net' very wide, because it involves placing an advert in the online Tenders Electronic Daily (TED) database – sometimes known by its old name OJEU ('Official Journal of the European Union') – which is scanned by suppliers from all over Europe and beyond. Take a look at <http://www.ted.europa.eu>

Even if they don't advertise the tender on TED, commissioners will advertise it somewhere. There are various ways for them to do this. They might publish an advert on their own website, in trade journals, like *Children and Young People Now* or *Community Care*, or in national papers and journals, like the *Society Guardian*.

In many regions there are 'portals' (i.e. websites) where commissioners from across the region – usually councils – publicise their tenders. To learn about the opportunities and apply you need to register on the site. See, for example,

<https://www.thechest.nwce.gov.uk> or

<https://www.londontenders.org>.

There is no charge for registering.

NHS commissioners are meant to advertise 'Part B' contracts on <http://www.supply2health.nhs.uk/>

The Government has set up its own website for lower value contracts and other contracts that don't need to be advertised on TED. It is aimed at small businesses. You may find some opportunities there too (but at the moment it tends to be used mostly by government departments and agencies):

<http://www.contractsfinder.businesslink.gov.uk/>

There are two main procedures that commissioners use for tendering (including setting up framework agreements):

- **Open procedure.** All providers wishing to deliver the service can submit a tender.
- **Restricted procedure.** Only providers who have successfully made it through a pre-qualification stage (see below) are invited to submit a tender.

In addition, there are some procedures which combine tendering with some negotiation –

- **Competitive negotiated procedure.** Post-tender, the commissioner can negotiate the terms of the contract with one or more providers.
- **Competitive dialogue.** Designed for complex contracts this allows a dialogue with providers (not a negotiation as such) over the best solution to meet the identified needs. Initial tenders are submitted in competition.

These procedures are the ones prescribed by EU procurement law. In practice they might be adapted for social care and support 'Part B' contracts where the EU rules have minimal impact.

In the UK, a restricted procedure is used most of the time (open procedures are rare). But you may come across competitive dialogue for novel and complex contracts where the commissioner is really finding their way forward through a dialogue with providers.

**Health Warning:** There are risks to engaging in a competitive dialogue procedure. You could find yourself having shared all of your innovative ideas and then the commissioner decides to use those ideas and keep the service in house.

Unfortunately, there are many different approaches to procurement and each commissioner may do things slightly differently. However, procedures generally include the stages discussed next.

## Pre-qualification questionnaire (PQQ)

When a contract is advertised, you will need to get through the commissioner's pre-qualification process (demonstrate that you meet their minimum criteria for bidders).

When you see the advert, you first need to express interest in the contract (contact the commissioner, whose details you will find in the advert).

Then you will normally be asked to complete a **pre-qualification questionnaire (PQQ)** or something similar.

In an 'open' procedure, you will need to return the PQQ with your tender. In a 'restricted' procedure you will be asked to return it at an initial 'pre-qualification' stage in the process. Only if you get through that pre-qualification stage will you be invited to tender.

The PQQ for a tender being advertised in Europe will usually cover:

- Mandatory grounds for rejection (grave misconduct, bankruptcy etc.)
- Financial standing
- Technical and professional capacity.

The same broad areas will be assessed for most contracts. It is likely that you will be asked to provide documents to support your application (e.g. a list of similar contracts you have performed in the last few years, proof of insurance and so on).

## Invitation to tender (ITT)

If you get through the pre-qualification process you will be asked to submit a formal tender; this stage is known as an **invitation to tender (ITT)**. An ITT will include:

- A 'specification' of the services to be provided.
- A contract (terms and conditions) including payment.
- The payment mechanism.
- Information on the documents you need to provide and the timetable for the process.
- The scoring criteria.

In a 'restricted procedure' only those providers who get through the pre-qualification stage will receive an ITT.

Ensure that you have the capacity to submit a successful tender. Putting together a good tender takes time and money. Consider how much it will cost to go through the whole process, including staff time or any legal advice you may need. Also think about who will be responsible for which aspects of putting the tender together and how daily work will be covered while you are working on it. There is no point in doing it if you do not have the time to do it well or if the amount of the contract will not justify the resources you have to put in to it.

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You can write to the commissioner if there is anything you do not understand about the ITT. All questions and responses will usually have to be shared with every potential contractor. Commissioners have a general knowledge about children's services and may not know much about the specific service they are buying. If there are aspects of the service specification that do not make sense or if there are reasons why you think it will not work as they imagine, you may want to ask them about it.

Even when your price takes into account **full-cost recovery** (being paid the total amount that it costs to deliver a service, including management, overhead and staff development costs – see page 46 for more information) there is no guarantee that the public service agency will pay it. You will need to decide what your organisation's position is, whether you are going to 'chase the money' or walk away from contracts that do not pay enough to run your service well. Are you prepared to compromise on your service if you cannot negotiate the right price? If you feel that you cannot deliver a quality service for the money offered, write to the procuring agency and tell them so. You can then ask them to keep you in mind if they are not satisfied with the quality of services being offered in other tenders and want to reconsider what they are paying.

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You may want to get a lawyer to look at the ITT to ensure that there are no specifics of contract that may create difficulties for you later. They will be able to say where there may be issues and will help you to understand and mitigate risks in the contract. It is expensive to get expert advice, but may be worth the cost for more valuable contracts.

If you feel able to deliver the service in the way the commissioner wants, you will then need to write a formal tender document and submit it to the agency by the stated deadline. See section 3 for more on preparing your tender. The ITT may state the price the agency is willing to pay for the service or you may be required to come up with the price you can deliver it for. (See pages 23 and 54 on determining unit cost.)

**Health Warning:** Any tender you submit will be used as a legal contract if you win the tender. Be sure that you can deliver what you say you can, in the time and for the resources specified.

**Health Warning:** Ultimately, trustees are responsible for the decisions organisations take. You will need to ensure that trustees are aware of the kinds of contracts you would like to tender to deliver and that they agree that they are within the organisation's aims and objectives. There is a real danger of organisations experiencing what is known as 'mission drift' if they lose the focus of what they were set up to do and move towards 'chasing contracts' whether or not they are suited to delivering them. (See page 10 for more on the role of trustees.)

## References

You may be asked to give the names of other services or agencies that you have delivered services to or for. They will then be asked to give a reference about the quality, reliability and effectiveness of your work. The references should relate to the service you are tendering for or the most recent contracts you have held. When providing the name of a referee you should give the contact name, position within organisation, address, telephone number, email address, value of contract, start and finish dates, and a brief description of the works, services or supplies which were undertaken.

If you've never delivered a contract before, your reference can be from any other funding organisation you've worked with. If that's not possible, you can ask for a reference from a professional, such as a social worker, who often refers clients to your service or a fellow VCS organisation with which you have worked in partnership.

**Health Warning:** Often, you cannot use the agency which is organising the tender as a referee – even if it is a different department or different personnel. This can disqualify your organisation from consideration, so it is important to check with the commissioner if you want to use the same agency.

## Interview

At some point you may be asked to present your tender in an interview setting. Sometimes you may be asked to attend follow-up interviews, and interviews can be either formal or informal. Whatever the situation, it is important to prepare well for this interview, including thinking carefully about who will attend. The Chief Executive or Chair should represent the organisation and show that the work is taken seriously. It is important to have someone there who knows the work well and can give a personal touch, maybe by sharing some previous experience of working with the children, young people or families the new project aims to reach, and can answer questions about how the service will run. Somebody at the interview should definitely be able to speak confidently about the financial aspects of the work. Finally, you may want to consider inviting a service user along to the meeting, for example if there is a parent who is particularly involved or passionate about your organisation's work.

The size of your organisation and the amount of the contract will help you to determine who should go; as a rule of thumb, this should be two or three people.

It is absolutely vital that you familiarise yourself with the specification, identify the risks and how you propose to manage them, and have prepared key messages which focus on the award criteria to be used.

## Challenging decisions

If the commissioner decides to advertise the contract under EU procedures, they are obliged to observe a 'standstill period' of 10 days between the decision on who should get the contract and the conclusion of a legally-binding contract. If you are an unsuccessful bidder this gives you an opportunity to raise concerns and, if necessary, challenge the commissioner's decision in court.

Even if the EU procedures are not being followed, (the normal case for children, family and young peoples' services), commissioners may decide to allow a period for concerns to be raised if they believe it to be good practice.

You should make sure you understand what opportunities there are to challenge decisions if you have concerns about them.

Under the EU rules unsuccessful bidders are entitled to certain information about the outcome. The fullest de-briefing comes at the stage of awarding the contract. Unsuccessful bidders can obtain the reasons for the decision (including the characteristics and relative advantages of the successful tender) and the scores of both the winning bidder and their own.

Additional information may be available under the Freedom of Information Act (2000 FOI Act). This Act applies both where the EU rules apply and where they don't. You should familiarize yourself with the Act and the commissioner's policy on FOI disclosure when you are bidding for contracts.

If you are unhappy with the way the procedure is being conducted or the decisions that are being made, you might want to make an FOI request for information to enable you to take action (including mounting a challenge in the 10 day period allowed under the EU rules). Public bodies are not obliged to disclose everything or to disclose at the time you want it. In particular there are exemptions for confidential and commercially sensitive information.

There is another side to the FOI Act coin. There may be some information in your own tender that you regard as confidential or commercially sensitive that you would not want other providers to see. You should label clearly it as such so that it comes within the exempt categories. The commissioner should also consult you if it receives any request to disclose information of this kind.

## Resources

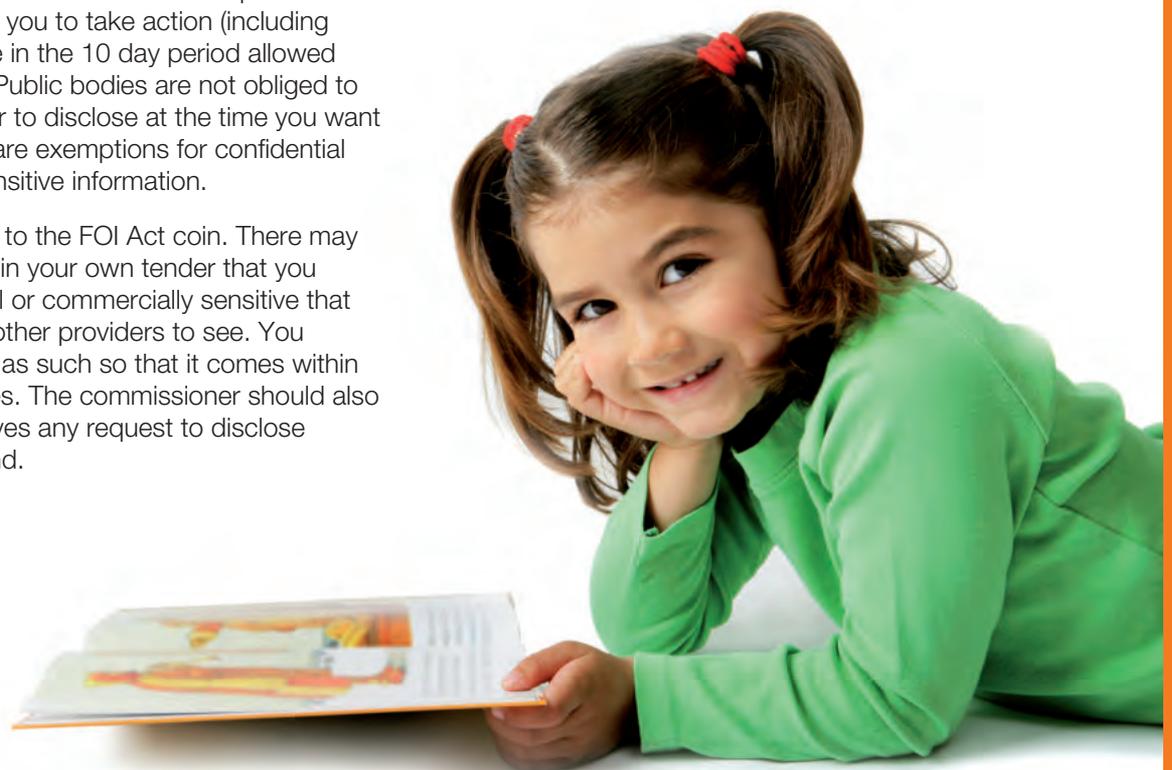
The Charity Commission has guidance on legal issues for charities contracting to deliver public services, which can be accessed on their website <http://www.charity-commission.gov.uk/Publications/cc37.aspx>

NCVO have a number of resources on tendering that can be downloaded from their website <http://www.ncvo-vol.org.uk/> including:

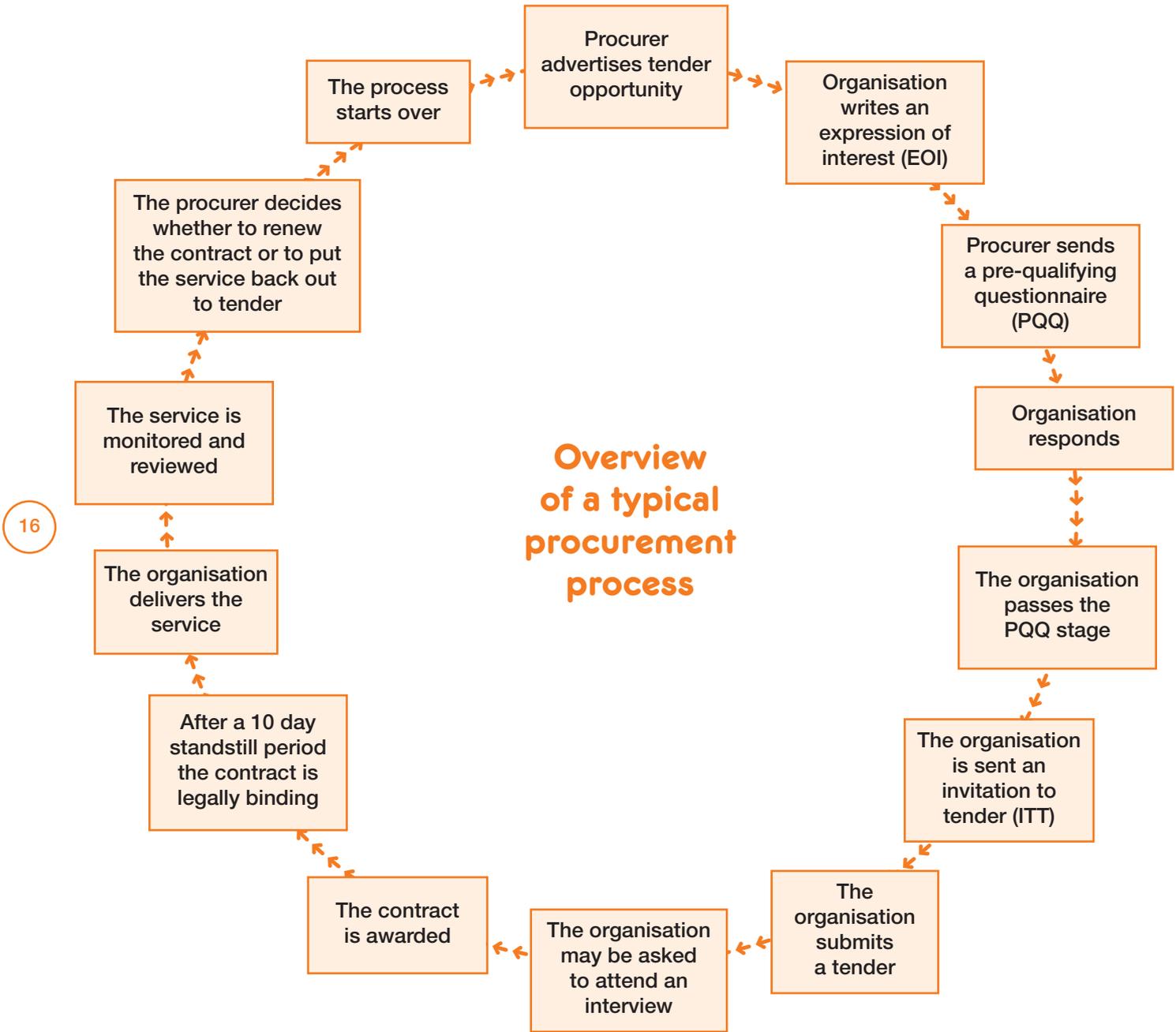
- Before signing on the dotted line: All you need to know about procuring public sector contracts (NCVO, 2006).
- Introductory Pack on Funding and Finance: Guide to Procurement and Contracting (NCVO, 2006).
- Tools for Procurement and Contracting: Funding and Finance Toolkit 3 (NCVO, 2007).
- Pathways Through the Maze: A Guide to Procurement Law (NCVO/NAVCA, 2nd edition, 2011).

The Cabinet Office publishes information for commissioners on public procurement on its website

[http://www.cabinetoffice.gov.uk/government - efficiency](http://www.cabinetoffice.gov.uk/government-efficiency) and the National Audit Office website includes an online successful commissioning toolkit [http://www.nao.org.uk/sectors/third\\_sector/successful\\_commissioning/successful\\_commissioning/guide\\_home.aspx](http://www.nao.org.uk/sectors/third_sector/successful_commissioning/successful_commissioning/guide_home.aspx)



# Procurement process flow chart





# Are you ready to tender?

Section Two

**Children  
England**  
Charities working for  
children and families

## Do you know who you are?

Most organisations would answer 'yes' to this question without thinking twice, and on the surface it does seem to be a silly thing to ask. However, some groups can find it difficult to describe what they do and why they do it simply, quickly and clearly. They are so passionate about their work and the way they do it, that they can lose people in the detail or overload them with a lot of information.



### Activity: The 'one minute lift' exercise

Imagine that you are in a lift going up to the top of a tall building with someone you need to impress. You have one minute to tell him or her why your group matters and why it should be supported. You need to explain:

- Who you are.
- What your organisation does – what its unique selling point is.
- Exactly what you need from the person and why she or he should give it to you.

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Ensure that your pitch is not too woolly or abstract and that you find a way of helping the person recognise the value to him or her of what you are doing.

Why bother? It is useful to practice. If you get the chance to talk about something you are doing, but there is not much time, you will be ready. It also makes you think again about your group or service and what it is really about. Finally, if you cannot explain it in a minute to somebody who is interested, do you really know what you are doing? This is also a useful exercise to undertake with the trustees of your organisation, who will often be the ambassadors of your work to the outside world – a shared message is vitally important.



### Activity: The 'world map' exercise

Another way of showing who you are is by describing how you fit into a 'world map' of your area (see illustration opposite for an example). Mapping what other services and projects are in your area and getting to grips with how you fit in can help to identify what you might do that no one else does – your unique selling point (USP). It may also throw light on opportunities to pool resources and expertise or to build new partnerships.

### To draw your world map:

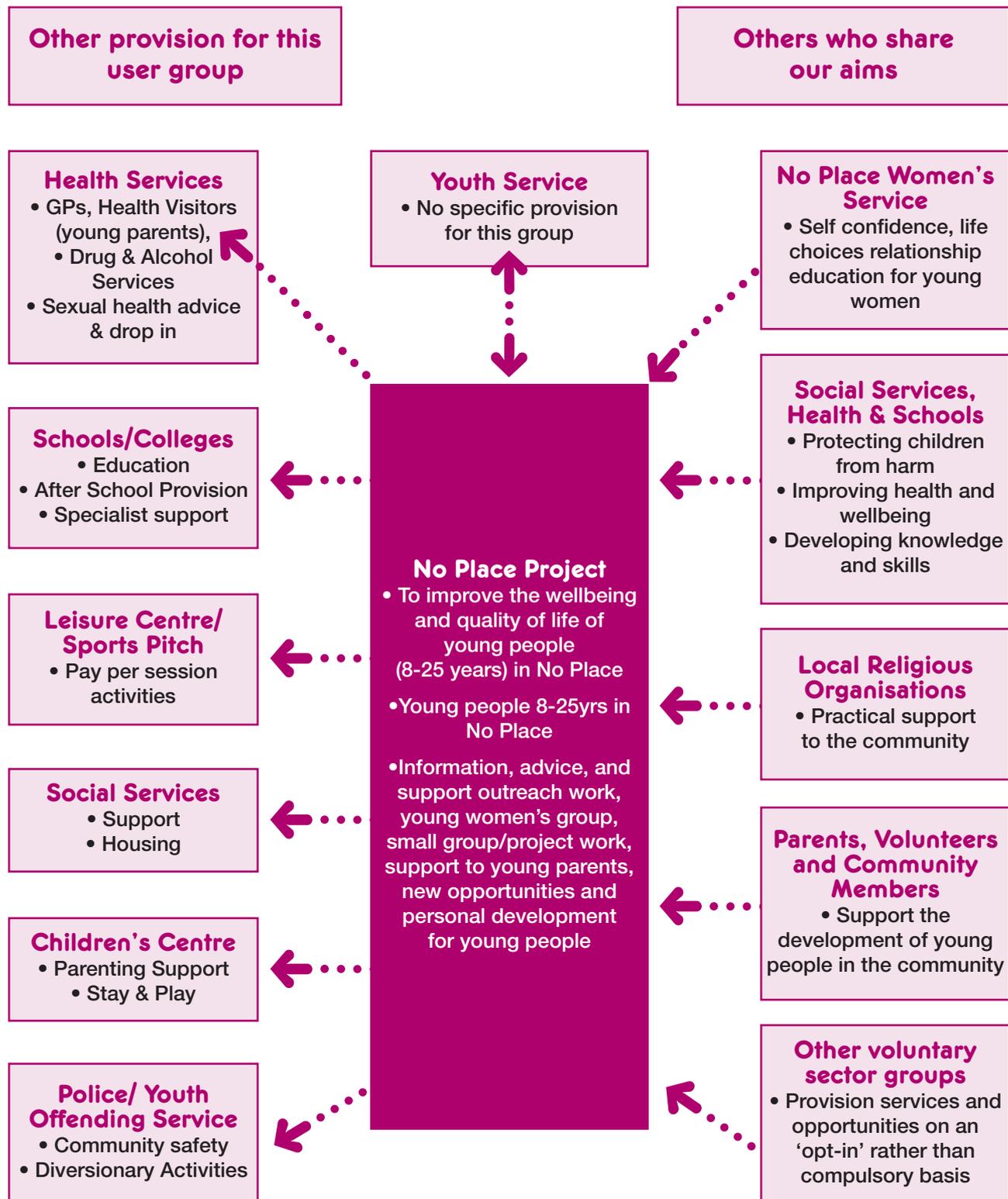
- Get a large piece of paper. In the middle draw a box to represent your group.
- In this box write down the people who use the group, what you do and maybe some one word aims.
- On one half of the paper draw and label all the other provision in the area for your user group.
- On the other half write down other groups, individuals, agencies and businesses that don't directly offer services, but may share some of your aims. For example, local businesses and neighbourhood groups may want younger members of the community off the streets in the evening.

### Look at your map. Ask yourself:

- What do we offer our user group that no one else does?
- What gaps are we filling?
- Why are we best placed to do what we do?
- Are there groups we could work with to offer other services to our users/their users?
- Could we share resources or form partnerships with any of them?
- Could we develop a formal consortium for the tender?



## World Map: Example



## Do you know what your local area wants?

Knowing what your local authority plans to focus on will help you and your trustees to anticipate local service needs and thereby be better prepared to bid if the right contract for you is put out to tender. One way of staying informed and influencing the strategic direction of your local area is to ensure that you are well networked into local fora and decision making arenas. Your local infrastructure support organisation (a CVS, for example) should know who represents the voluntary sector in these meetings and should be able to tell you how you can hear about, and feed into, what is happening locally. For instance, many areas have Voluntary Sector Assemblies or Forums where groups can take part in consultations to ensure their voices are heard within cross-sector partnerships.

The re-organisation of the NHS will require each top tier local authority area to develop a Health and Wellbeing Board. In some places these are already underway, often being built onto the former **Local Strategic Partnership** or Local Public Service Board infrastructure. Whilst the guidance does not specify the VCSs within the core membership, it will be important that the voice of the CYP&F VCS is heard and the guidance gives the local authority flexibility to include other members where they think this is appropriate.

The Health and Wellbeing Boards will take on responsibility for the joint health and wellbeing strategy and Joint Strategic Needs Assessment (JSNA), and the NHS work around JSNAs has in the past placed great emphasis on the inclusion of the VCS in their development. These Boards will set the strategic priorities for the area for health and social care spending which will inform commissioning strategies across a variety of agencies. Other plans, such as the Early Years strategy and the CYP plan may in future sit underneath this overarching plan.

It is therefore of vital importance that the CYP&F VCS has access to and is able to influence the work of the Health and Wellbeing Boards and local infrastructure organisations (CVS, CYVS etc) should be ensuring that this is the case. Find out what is happening in your local area.

The Freedom of Information Act gives anyone the right to see information held by public authorities. What this means for you is that you have the right to know:

- which services are already being provided
- the targets that are being set
- the standards of services expected
- the results already achieved.

## Do you have the right skills?

Some contracts will require your staff to be educated to a certain level or have specific qualifications. You may also need to show that you have been inspected, for example by Ofsted or another regulator. To fulfil monitoring requirements, you may need to have particular **ICT** and financial systems in place.

Building a relationship with potential commissioners well in advance of tendering for a specific contract is one way of ensuring that you have the necessary skills. You can then discuss with them what they expect out of contract holders, including minimum standards of qualifications, and get your staff up to speed or recruit new staff at the necessary level.

If your organisation does not have staff who possess the required skills, you will need to budget for training. It is wise to talk to commissioners at an early stage to find out what their expectations are and to see if funding for skills development is available. Both Children England and NYCVS update information on workforce issues on their websites.

Another way is to keep up-to-date with current trends in policy and practice so you know when there are changes in the expectations for people who work with children, young people and families. Being a member of your local **CVS** or of a specialist umbrella organisation, such as Children England, will help you to keep informed.

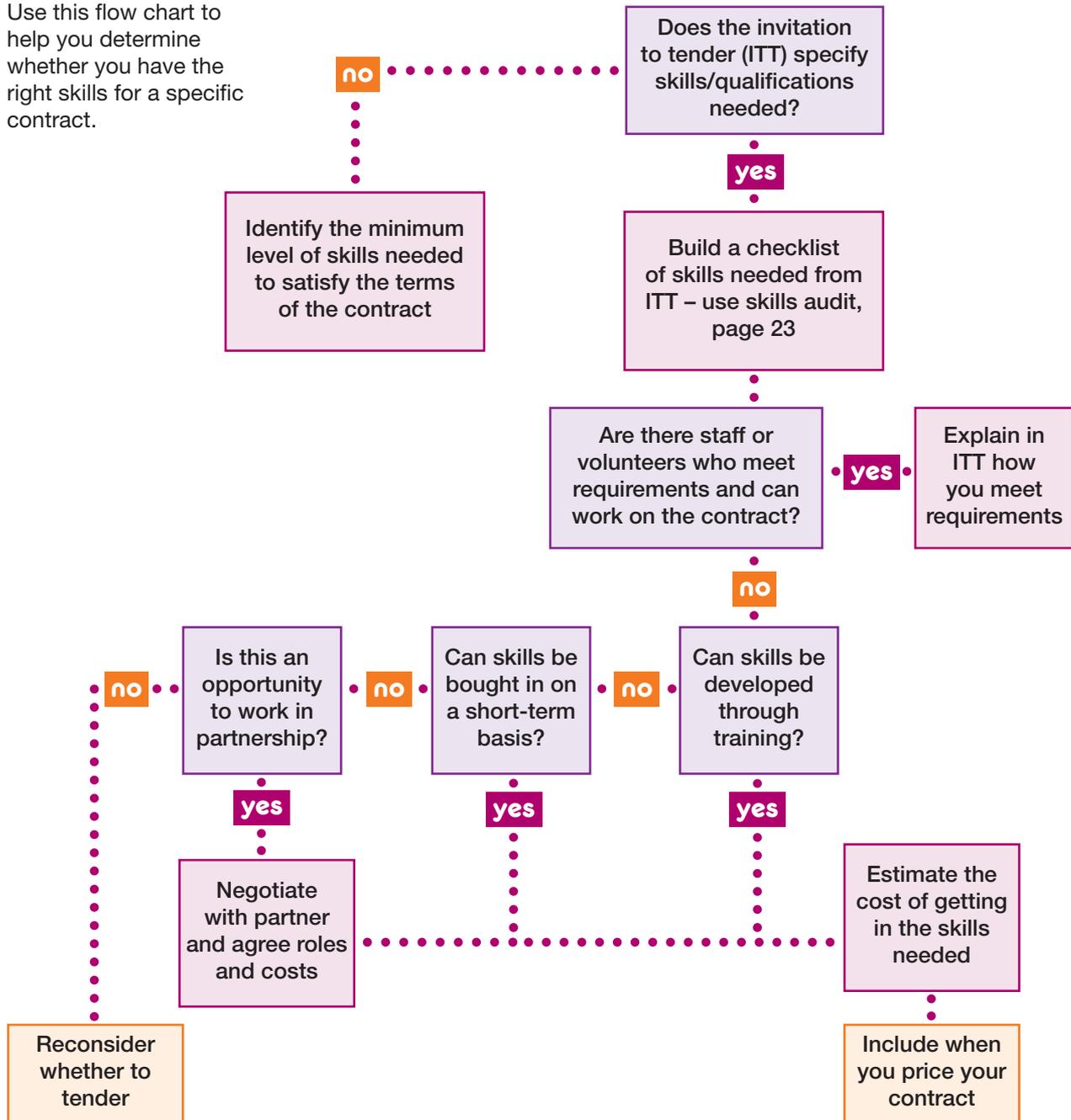
### Resources

There are a number of resources on the Children England website, [www.childrenengland.org.uk](http://www.childrenengland.org.uk), to help their organisations increase the skills of workers, including a beginner's guide and a funding guide to children and families workforce development.



### Activity: The skills audit chart

Use this flow chart to help you determine whether you have the right skills for a specific contract.





## Are your finances in order?

Any commissioner is going to want to be sure that it is making a sound financial investment when it pays an organisation to deliver a service. You should be sure that your accounts, audited if necessary, are available and in order. You will also want to be sure that your organisation has a good credit rating. A credit rating is a way of scoring an individual, or in this case an organisation, on the likelihood that it will honour its debts and pay its bills.

This score is based on the past behaviour of an organisation and a guess about how it will behave in the future. Commissioners will often check credit ratings before awarding a tender, and a negative credit history can prevent an organisation from winning tenders.

You can check your credit rating free of charge from the Experian website (details in Resources of this section). Experian reports are widely used and are considered a legitimate, respected tool to help individuals and groups understand their credit history. Once you know the true situation of your organisation's financial past you can start making plans to put right anything that is out of order. There is a lot of advice around to help individuals repair their credit ratings; a quick internet search of the words fix, credit and rating will produce sites with helpful tips. The principles will be similar for an organisation with bad credit: ensure you pay your bills on time; use a credit card for purchasing supplies and materials and pay the balance off each month; pay your debts; and do not apply for credit, including credit cards, big purchases, insurance, etc. from several different sources in a short period of time.

Some points to think about:

- Although three years of accounts may be asked for, they are not mandatory and potential providers should press to have alternative demonstrations of financial standing accepted.
- You need to be cautious in that credit rating organisations may telephone you to do a financial check if accounts are publicly available. Failure to provide that information frequently leads to a low rating.
- If your finances are in order, you may be able to get a letter from your bank or auditor to support your tender.

### Resources

[www.experian.co.uk](http://www.experian.co.uk)  
[www.financehub.org.uk](http://www.financehub.org.uk)  
[www.improvingsupport.org.uk /income](http://www.improvingsupport.org.uk/income)

## Can you calculate your unit cost?

Commissioners will often ask tendering organisations to calculate their unit price in order to help them compare different service options. An important distinction needs to be made between unit cost and unit price. Unit cost is what it actually costs you to run a service, including management time, rent, insurance and any other cost that has to be paid for or used. It is determined by calculating how much it costs to run a service and then distributing that cost proportionately over the activities, or outputs, of the service or the number of clients served. Unit price is what you choose to charge, based on the unit cost and what you think the commissioner will pay.

The difference between price and cost can be used to make a surplus that can be put into other services and activities or as a contingency to cover something unexpectedly going wrong – often about five percent of the cost. This contingency is part of an effective risk management system. (See page 30 for more on risk.)

It is really important that you do not under-price a service to win a contract.

A major difference between grant funding and contracting is that with contracting you are paid a fee for delivering a specified service. What this means is that unlike grant funding where you may be required to show how all money is spent, including providing receipts and returning any under-spend, in contracting you can detail what the commissioner will get, i.e. the specification of the service, for a particular price. You may not be required to break down your price into management costs, overheads, project costs etc, and if you are able to deliver the service for less money than you are paid you are not required to give that money back. This does not mean that you can provide less than you promised, as money can be taken back if the service is not delivered to the agreed specification.

In some cases, the commissioner might ask to see the details of your price and costs if they feel that it is more than they want to spend or if they are concerned that your costings are insufficient to deliver the service. Be wary of doing this as they may want to cut your price for you for example by telling you how much your management fees or training budget should be. You need to decide what your bottom line is; that is, what price you cannot afford to go below and how much room you will give yourself to manoeuvre and negotiate. If they want you to lower your price you will then know what, and how much, you are willing to compromise or whether you can come back to them with a reduced service for a reduced price. (See page 45 for more on negotiation.)

## Are you ready to tender? Section Two

You can do some research into the unit price charged by organisations and agencies for similar services in other places to ensure that what you are charging is competitive and fair.

Some agencies are increasingly commissioning for outcomes rather than outputs which will reduce the amount of information that you will need to show but will not of course mean that you should skimp on your calculations! (Outputs: the detailed activities, services and products; Outcomes: the changes that occur from the activities). This change does require the public sector organisation to have strong leadership and vision, but the benefits of this have been shown to include:

- **innovation** – commissioning a ‘result’ rather than an activity, less prescriptive, increased freedom to come up with and implement imaginative ways of working to solve local needs, including increased scope for co-produced solutions;
- **achieving results** – moving away from funding activity to funding impact, using limited resources to have maximum effect for local residents;
- **achieving savings** – potential scope to reduce the level of services where outcomes are achieved, greater scope to focus on services that reflect demand rather than on historic services;
- **better local learning** – better understanding of what works and where resources should be prioritised;
- **user engagement** – improved ability to respond to local needs and solutions, promoting user involvement in design and delivery of public services.

Ask your local public sector commissioners if they are planning to move to commissioning outcomes!

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## Activity: What to include in your unit cost

Your unit cost should cover:

### 1. Everything related to the direct running of the project or service, including:

- Salaries (weighting allowances, national insurance contributions, pension contributions, training, inflation increases).
- Benefits (bonuses, medical insurance, cars, membership and subscription fees, sickleave, maternity/paternity leave, redundancy costs).
- Recruitment costs.
- Travel, materials.
- Any premises, office, insurance and fundraising costs used solely for the project (telephone, fax, postage, photocopying and photocopier maintenance, stationery and office equipment costs).
- Everything related to direct support (management and administration) of the project, which includes the same categories as direct support costs, as long as it is specific to the particular project.
- If the project shares running costs, such as building or support staff, with either another organisation or projects within the same organisation a proportion of all the above costs is included.
- A proportion of central costs including costs associated with chief executive, finance, personnel, IT, fundraising and marketing, office management and other administrative roles.

### 2. A proportion of costs related to governance and strategic development, including:

- Audit and statutory accounts.
- Legal and professional fees.
- Trustee expenses (includes recruitment, induction, training, travel, accommodation, subsistence, trustee indemnity insurance etc.).
- Other strategic development costs, such as research and development, support of the membership structure, policy development and corporate planning.

See appendix 3 for helping you calculate unit cost.

## Resources

See [www.cash-online.org.uk/content/1/6/](http://www.cash-online.org.uk/content/1/6/) for a fact sheet on calculating unit costs.

## Can you show added value?

'Best value' is the term used to explain how commissioners must plan, deliver and improve services in an area in order to ensure that they are delivered in a way that is efficient, effective, economical and appropriate to the needs of the end users.

Best value is often taken to mean 'cheapest' and commissioners may prioritise lowest price above best value; it is, therefore, a good idea to think about how your organisation can offer 'added value'.

Added value is about showing how the end users and/or the broader community will benefit more from your service than they would from another service, for the same amount of money.

You can demonstrate added value by:

- Building innovative collaborative relationships and demonstrating how working together can achieve greater results.
- Showing how you have built good working relationships with other statutory providers, such as health or education.
- An existing relationship built over a long term with a specific group of children, young people or families.
- Your track record engaging with groups who are seen as harder to reach.
- What else happens because of the way in which you work. For example, if you use local volunteers to work in your service this could help a local target to reduce numbers of young people not in employment, education or training.
- Building in ways of sustaining the project with reduced or withdrawn public funding, such as a fundraising element for members of a youth club, for example.

Ideally you should link the added value you bring to the award criteria in the tender you are going for, although if you can make a case for contributing to other local priorities, you should demonstrate how you do so.

There is a growing interest from VCOs and funders in Social Return on Investment – a way to measure and account for the value you create with your work. Like other outcomes approaches, SROI can help you manage and improve services and make your organisation more sustainable. It can also improve your relationships with stakeholders; stakeholder engagement is a very important part of the SROI process.

**Health Warning:** SROI can be time consuming and is relatively complex.

**Health Warning:** Trying to show how you add value to a service can lead you to offering to do more/accrue more costs for the commissioner than

the payment for the service covers. Think carefully about doing this. Is it sustainable? Will it create a precedent that will make it unaffordable for the VCS to deliver such a service in the future? Will it cause you to compromise other areas of your organisation that allow you to deliver the quality of work you currently do?

## Can you collaborate?

In an environment of reduced public spending, greater demand for services, larger contracts and more markets being opened up to competition, collaboration, particularly between smaller CYP organisations, or a larger organisation with one or more small organisations, will be key to securing contracts and sustainability.

When two or more organisations work together it is known as collaborative, partnership or joint working. Collaboration comes in many forms. It can range from informal networks and alliances, through joint delivery of projects (often known as consortia) to full merger, and can last for a fixed length of time or can form a permanent arrangement. What these options have in common is that they involve some sort of exchange, for mutual advantage, that ultimately benefits end users (NCVO Collaborative Working team).

Consortia working can bring specific benefits both in terms of the quality of service that beneficiaries receive, and for consortia members who may experience increased access to funding; capacity-building; peer learning and support; shared resources and raised profile.

However, partnerships and consortia cannot be built overnight and are not without risk. In order to ensure that any partnership arrangements you enter into are robust enough to survive what may be a complicated, sometimes even messy arrangement, time needs to be given to sort out the details of the relationship. All details need to be examined. Do you mean the same thing when you are talking about specific groups of children; are you trying to reach the same people? Do you know what each means by outreach? Are your methods compatible? Do you know who will take responsibility if something goes wrong?

You may want to explore different ways of working together with other organisations in order to be more 'tender ready'. There are definite advantages to collaborative working, including showing 'added value', but there can be significant risks. There are many resources available to support organisations interested in collaborating, some of which are referenced at the end of this section.

It is important to be aware that collaboration, if it is to be successful and effective, represents a cost. If you feel that collaborating, whether that is through forming a formal consortium or a loose partnership, will allow

## Are you ready to tender? Section Two

you to deliver a much better service, in other words, that it will provide added value, then it is worth trying to make a case for having the set-up and maintenance of the collaborative relationship appropriately costed and funded when putting in a bid. This may be easier to do when a good relationship already exists with the commissioner or in the pre-qualification stage before formal tenders are submitted.

If you are entering into any kind of collaboration agreements it is important to formalise the relationship with a written memorandum of understanding. Equally, the parties should write and agree a governing document for the partnership that sets out:

- Aims.
- Responsibilities.
- Procedures.
- Purpose.
- History.
- Financial position.
- Reporting arrangements.
- Profit share.
- Allocation of liability.
- Voting rights.

Do not forget that one organisation may need to be the official contracting party on behalf of the collaboration. Alternatively a new body may be set up to 'receive' and share out the work and resources.

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'Tendering for Care' has developed a set of 'golden rules' to help groups decide whether tendering as a consortium is appropriate. These are:

- Involve the Board of Governance/Trustees in plans for consortium development from an early stage;
- Check the financial standing of all the other potential consortium members;
- Avoid breaking Competition Law in planning the services to be delivered by the various consortium members;
- Obtain legal advice from a procurement specialist from an early stage in the development of the consortium;
- Allow sufficient time for the consortium to develop prior to tendering – nine months is a reasonable guide, but this may take longer;
- Allocate sufficient resources for effective consortium development including staff time;
- Ensure that all consortium members are able to demonstrate sound ethical governance and business probity at Board level;
- Identify, address and insure all areas of risk throughout the consortium;
- Ensure that the consortium as a whole has the ability to deliver all elements of the contract as specified in the tender;
- Make sure that evidence is available which demonstrates that the individual members and the consortium as a whole has the capacity and

capability to deliver the contract as specified;

- Put in place both an Information Sharing Agreement and a Confidentiality Agreement which all potential consortium members must sign before entering into any discussions regarding matters relating to the consortium;
- Obtain confirmation from all levels of management in your organisation, including governance, that you are happy to work with each of the other potential consortium members and that there are no risks which might arise from working in a close and integrated way or by association.

**Health Warning:** It may be a good idea to seek out expert legal advice when forming and working within partnerships to help protect each party in the event of something going wrong with the relationship.

**Health Warning:** Strong collaborative relationships can take a long time to organise. Ensure that you have enough time to build and sort out all details of the relationship before tendering for a specific contract.

**Health Warning:** Building consortia or working collaboratively will not be without financial costs. Ensure that you build the cost into your budgets.

## Prime and Sub-contracting

A Prime Contractor is given the overall responsibility for the management and delivery of projects and services through a contract and to establish and manage a supply chain to involve other organisations in the delivery – the sub-contractors. The main reason that a prime contractor involves sub-contractors is because they possess specialist skills that can enhance the overall quality of the services. Sub-contracting in this way can provide an opportunity for smaller organisations to become involved in a contract. They can often provide access to particular communities or to people in a particular client group, or they can offer particular skills, e.g. working with children and young people. They, in turn, can also benefit from the experience of the larger or national organisation in tendering and managing contracts.

Some organisations may be wary of this approach, fearing that the Prime contractor will sub-contract the more difficult aspects of the contract or top-slice large management fees. However, small organisations acting as sub-contractors will be in a strong negotiating position to combat this as their involvement could be the deciding factor in determining whether a contract is won.

The Department for Work and Pensions has used Prime and Sub-contracting to deliver the Work Programme.

The Department for Work and Pensions and its welfare to work providers have developed the Merlin Standard to 'recognise and promote sustainable

excellence and positive partnership working within supply chains and provide guidance to those seeking to achieve it'. The standard is built on principles designed to regulate the key areas of the relationship between a Prime Contractor and its Supply Chain Partners. The standard can be found at:

<http://www.dwp.gov.uk/supplying-dwp/what-we-buy/welfare-to-work-services/merlin-standard/>

## Resources

Consortia for the delivery of public services: the issues for small and medium sized charities – Charity Commission: [http://www.charity-commission.gov.uk/Publications/rs26\\_consort.aspx](http://www.charity-commission.gov.uk/Publications/rs26_consort.aspx)

NCVO's Collaborative Working team offers guidance on, and examples of, the various documents you should have in place for good partnership working. You can also find helpful information, training dates and resources about all aspects of collaboration in the VCS, including a 'should you collaborate?' decision tree.

[www.ncvo-vol.org.uk/collaborate](http://www.ncvo-vol.org.uk/collaborate)

Renewal.net has a partnership toolkit available for download. You may find some elements helpful to your work, although it is not specifically for children, young people and family organisations and has a neighbourhood renewal focus.

[www.renewal.net/toolkits/BuildPartnership/](http://www.renewal.net/toolkits/BuildPartnership/)

## Demonstrating Quality

Commissioners will want to know that the services and activities that your organisation provides are excellent both in terms of value for money and to meet the needs of the service users.

Some public sector agencies may want to see that your organisation has a kite or quality assurance mark, such as PQASSO (Practical Quality Assurance System for Small Organisations), Investors in People or ISO. These marks are like certificates, which say an organisation has been through some kind of external assessment and was able to prove that it is well run, effective and a good investment for a funder or commissioner. These quality marks show that the organisation is well run, not the quality of the services provided.

The Charities Evaluation Service (CES) has everything you need to know about PQASSO on their website ([www.ces-vol.org.uk](http://www.ces-vol.org.uk) click on 'PQASSO' from the top menu). Going through the PQASSO self-evaluation is not an expensive process (a workbook and CD-ROM will cost around £150 and can be purchased from the CES website) and can help an organisation to better understand and express its strengths and weaknesses. To actually receive the quality mark, however, will cost between £1,000 – £2,000 or more, as it involves a CES assessor reviewing how healthy, efficient and effective the organisation is. [www.pqassoqualitymark.org.uk](http://www.pqassoqualitymark.org.uk) has information about the assessment. The Investors in People quality mark follows a similar process; see [www.investorsinpeople.co.uk](http://www.investorsinpeople.co.uk) for more details.

Even if you decide not to invest in a quality mark it is important that you have quality assurance systems in place to help reassure commissioners that your organisation is a good investment. You should explicitly state in your bid how your systems ensure quality. You should also gather evidence of:

- Human Resources (HR) policies, such as:
  - Staff and volunteer.
  - Lines of accountability.
  - Support, supervision and appraisal.
  - Codes of conduct.
  - Grievance and complaints.
  - Safeguarding.
  - Health and safety.
  - Environmental.
- Strategic planning processes.
- Planning.
- Governance.
- Leadership and management.
- Service user involvement.
- Learning and development.
- Managing resources.
- Communications and promotion.
- Working with others.
- Monitoring and evaluation.



## Are you ready to tender? Section Two

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**Health Warning:** It is important not to race into quality marks, but to think carefully about what you hope to gain by investing in one. Going through the process can be time and resource heavy; ensure that you can properly invest in the process and that what you will get from doing it will justify the resources you put into it. Some local authorities will provide small pots of funding for organisations to achieve a quality mark – this is in their interest and you should ask your local council if they run such a scheme.

A consistent approach to safeguarding is of vital importance to CYPF voluntary and community organisations – for further information see:

<http://www.safenetwork.org.uk/Pages/default.asp>

**Health Warning:** Find out what quality mark or other evidence your local commissioners look for before committing funding to one system or another.





# Preparing your tender

Section Three

**Children  
England**  
Charities working for  
children and families



The following section provides details of the stages you will need to go through when you are preparing your tender. At every stage, make sure you are following all the instructions and keep revisiting the scoring criteria to ensure you are putting the right emphasis and detail into the document.

## Can you show how you will manage risk?

Some risk-taking can allow an organisation to make the most of opportunities and run truly innovative, effective services. However, risks do need to be well managed. Tenders should clearly identify potential risks of a service, split into low, medium and high, and show what systems and plans are in place to manage those risks.

Some examples of risk that can impact on the successful delivery of a project:

- The cost of delivery greatly exceeds what the contract provides for.
- Unforeseen obstacles, such as your building not meeting inspection requirements.
- The project does not meet the needs of the client group, for example, starting an afterschool football club which young people do not want.
- Difficulty recruiting the right staff or volunteers.
- Income drops suddenly, for example if expected income from fees does not come through.

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Risk should be evenly shared between the procuring agency and the contracting organisation, and the contract needs to explicitly state how risk is to be shared by each party.

It will be important to show your experience managing risk, including having good systems in place for identifying, exploring and mitigating risk and having an evidence-based track record of risk management. Commissioners will be impressed by organisations who can show what they have learnt from the past.

**Health Warning:** There are added risks to the provider when commissioners offer either short-term contracts or contracts that only provide payment in the case of specific occurrences, over which the provider may have no control. An example of this is a child care provider setting up a day nursery and only being paid for the number of places taken up or being decommissioned at the end of a year's contract. In both cases the provider will have had to invest more to set up and deliver the service than is covered by the commissioner's payment; it is important to recognise these increased risks and negotiate to have them mitigated. (See page 45 for more on negotiation.)

## Resources

The Health and Safety Executive has a useful short guide, *Five steps to risk assessment*.  
[www.hse.gov.uk/pubns/raindex.htm](http://www.hse.gov.uk/pubns/raindex.htm)

NCVO has produced a toolkit on managing risk, which can be found at [www.ncvo-vol.org.uk](http://www.ncvo-vol.org.uk)

## Showing impact and evaluation

An important aspect of preparing a tender is to show how you have already worked successfully with the particular client group the commissioner is targeting, or how other work you have done has given you a transferable expertise that will allow you to successfully deliver the service if you win the tender. You will need to show how you can effectively meet the commissioner's outputs and outcomes.

- Outcomes are all of the changes that actually happen as a result of your project, whether welcome or unwelcome, expected or unexpected.
- Outputs are the products or services an organisation offers or provides.

The outputs that are being requested should be found in the tender specification documents; the outcomes, what the commissioner is hoping to achieve by a programme of work, may not be specifically mentioned, unless a 'commissioning for outcomes' method is being used. You should look into what priorities are written into the local children's trust arrangements or the Children and Young People's Strategic Plan to have a better understanding of what the commissioner is trying to achieve with the services it commissions and then think of how you can achieve and add value to those plans. (See page 20 for more about local priorities.)

In order to be transparent and accountable to your stakeholders, as well as to have a robust body of evidence that demonstrates the impact of your work, it is important to monitor, evaluate and document any of the project's achievements, whether or not the project was successful or its outcomes intended.

Further, to increase the potential of your project or service becoming sustainable or mainstreamed, it is essential to be able to prove that it is successful – that it has made a difference to children, young people and families. Demonstrating success is dependent on having effective systems in place. This is as important for the development of your organisation as it is for potential funders.

**Health Warning:** Commissioners may use different terms to mean different things – make sure you know what they are asking for. Key terms in Monitoring, Evaluation, inputs, outputs and impact are given in appendix 1.



**Activity:**  
**Project Risk Assessment:**  
**Anytime Project, Anywhere**  
**Organisation**

Potential Risk	Risk	Action
1. <b>Relevance:</b> How does the project fit with Anywhere's priorities and objectives?	Low	The Anytime project fits with our aims and objectives and recent user feedback.
2. <b>Demand:</b> What is the nature and level of demand from users for this service?	Medium	Whilst we are confident that the service will be well supported and in high demand, possible introduction of more personalised services within the area will need to be monitored. We will put this on the agenda for regular meetings with commissioner.
3. <b>Financial:</b> Are the costs of the project fully funded? Will our reserves be adequate for the set-up period if the first payment is late?		
4. <b>Equality and Diversity:</b> Will we be able to ensure that issues of equality and diversity can be addressed through the project?		
5. <b>Staff:</b> Will we be able to attract staff to undertake the work with the relevant skills and experience?		
6. <b>Exit Strategy:</b> How will we plan to shut the project down at the end of the contract and ensure we meet targets?		



## Activity: How are you keeping a record of what you achieve?

Keeping track of what you achieve as you go along will avoid the nightmare of trying to remember the details a few months later, plus it's less likely you'll miss out some of the really important information! Having an ongoing record will make it easier to keep funders and commissioners up-to-date, seek new funding or support, and give members evidence of their achievement.

- Keeping track – some can be done with your members as part of your activities, e.g. evaluation forms after an event
- Take lots of photos!
- Save any adverts, flyers, posters you produce (you might want to make a scrap book of the project).
- Write down what people say about it, maybe have a comments book/wall/box.
- Get other partners to write testimonials.
- Get participants, staff and volunteers to write a headline saying what they've achieved/loved best.
- Find out at a later date whether participants have changed how and what they do as a result of your input.

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Keeping records or monitoring how many people attend what, their ages and other such information is useful for evaluating whether you're meeting your aims as well as funders' targets.

It's also important to have an accessible complaints and comments process which enables all your services users (no matter what their age) to register if they are unhappy with an aspect of your service and provide good ideas for improvement.

Some commissioners may ask for this along with other policy documents, either as part of the PQQ process, or when you submit your bid.

Useful information can be found at <http://www.ces-vol.org.uk/index.cfm?pg=40>

## Getting into good habits – and keeping them up!

People often see monitoring as a burden imposed by others, especially funders. But unless you integrate this into everything you do as part of your everyday work, and can demonstrate how effective your work is, potential contractors may not be convinced of the quality and effectiveness of your work. You need to know things like how many people are involved and are you reaching everyone who would benefit, where they come from, what they think of the project and what has changed for them because of it.

- Collect monitoring information according to what you (or partners or funders) need to know. This might be total numbers, or more detailed.
- You might collect details of the age, gender, and ethnicity of participants, how many disabled people access your service, how many people come from a certain area or other factors related to your aims and objectives.
- Evaluation helps to improve practice during the project and for future projects, and it shows what happened as a result of the project.
- Evaluation should be open to everybody involved in your project.
- Use questionnaires, or suggestion boxes, or interview people – or just count them.
- Include activities like video box sessions (where people speak privately to camera) or discussions, or a graffiti wall.
- Build in time to monitor any service you are developing; monitoring allows you to evaluate work in an informed way and should be a key part of any service, not simply an afterthought.
- Remember to build the cost and time of monitoring and evaluation into your bid.
- Above all, do it regularly and make it a habit, not a chore!

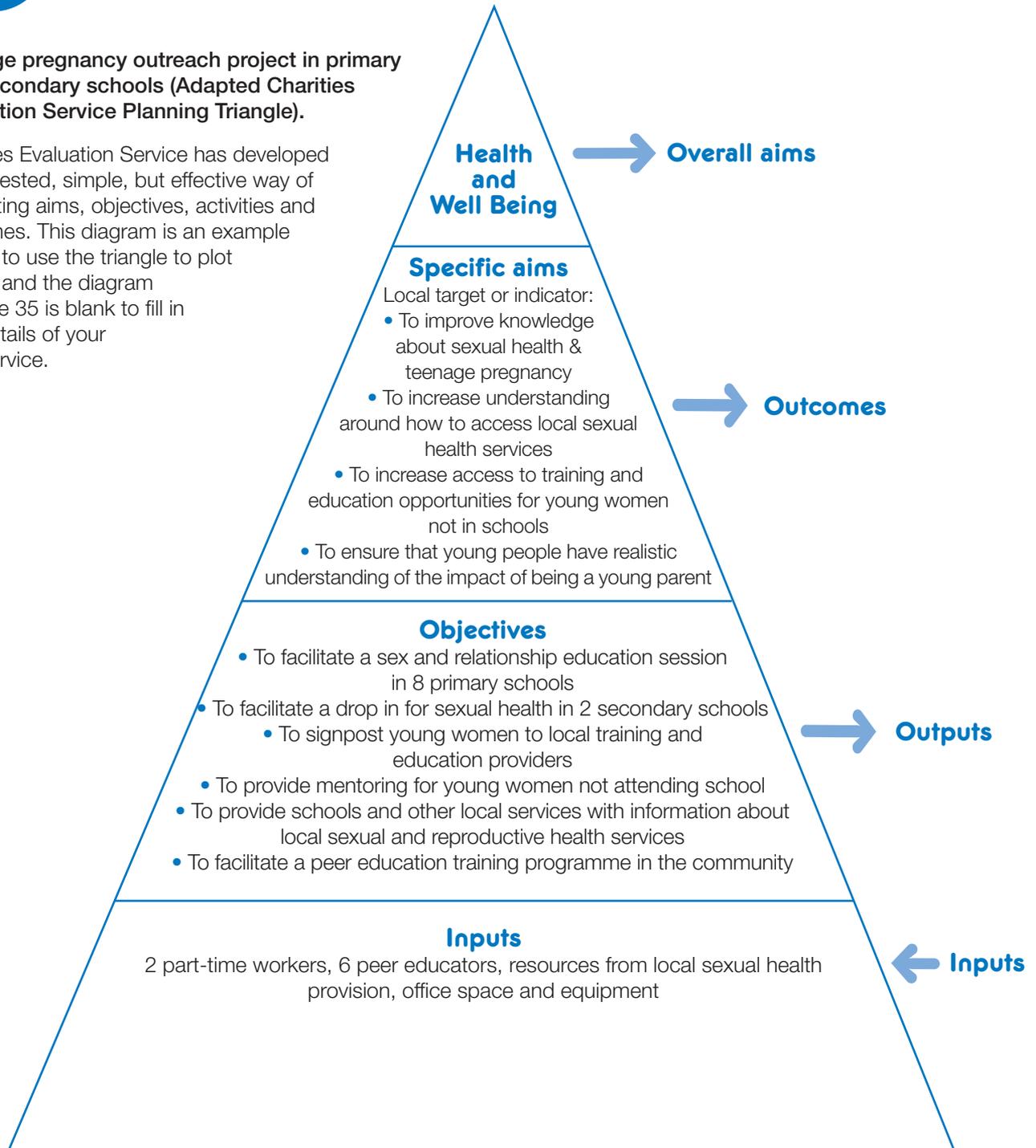




## Activity: Showing impact case study

### Teenage pregnancy outreach project in primary and secondary schools (Adapted Charities Evaluation Service Planning Triangle).

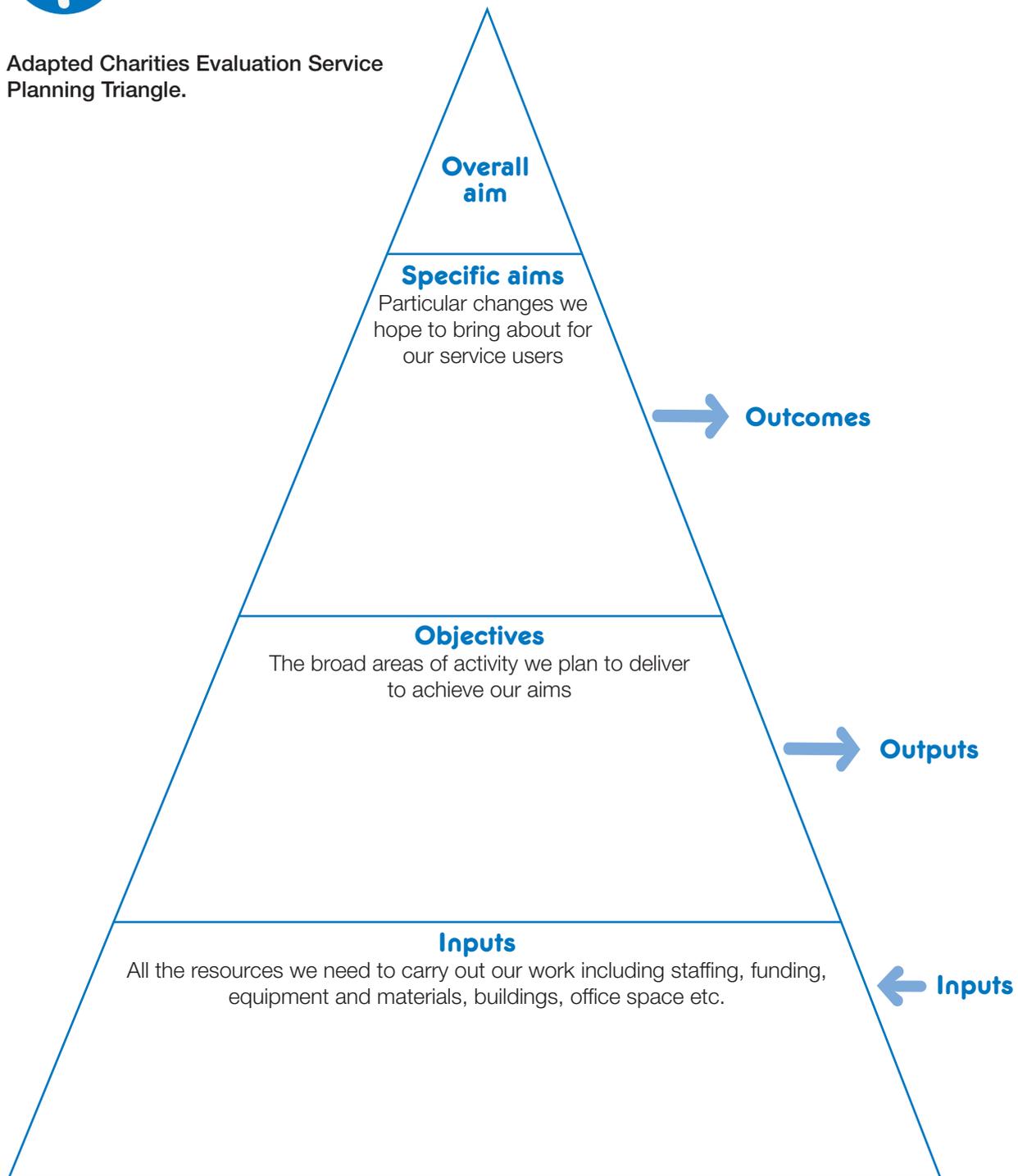
Charities Evaluation Service has developed a well-tested, simple, but effective way of presenting aims, objectives, activities and outcomes. This diagram is an example of how to use the triangle to plot impact and the diagram on page 35 is blank to fill in with details of your own service.





## Activity: Showing impact case study

Adapted Charities Evaluation Service  
Planning Triangle.



## Resources

A number of resources exist within the VCS to help you with monitoring and evaluation.

Charities Evaluation Service has several publications available as free downloads from their website, including First steps in monitoring and evaluation and Your project and its outcomes. Search 'outcomes online' from [www.ces-vol.org.uk](http://www.ces-vol.org.uk)

Children England's Supporting Small Organisations webpage has links to useful monitoring and evaluation resources, including a toolkit for children's organisations and a fact sheet. [www.childrenengland.org.uk](http://www.childrenengland.org.uk)

The Department of Health has a number of tools, scales and questionnaires available on their website to help measure change for harder to qualify outcomes, such as the Strengths and Difficulties Questionnaire or the Parenting Daily Hassles Scale.

Search 'family pack of questionnaires and scales' on [www.dh.gov.uk](http://www.dh.gov.uk)



## Activity: Key questions to consider

- How will you ensure the financial viability of your organisation if the contract is not renewed?
- What plans will you have in place, and how do you express them in your tender, if you need to stop doing work that you no longer have funding for?
- How will you ensure that your service users have some continuity?
- Are your service users on board, do they understand that the project may not exist for ever?
- Will your service users understand if the relationships you have built up are no longer sustainable and you need to pull out and let another organisation take your place?
- How will you manage the costs of closing the service, including costs associated with transferring staff through TUPE or paying redundancies?

## Resources

The National Audit Office have added a section on decommissioning to their decision toolkit which may be helpful in considering your exit strategy.

[www.nao.org.uk/decommissioning](http://www.nao.org.uk/decommissioning)

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## Exit strategy for when funding comes to an end

If you are planning on putting in a tender, it is important that you plan for the eventual end to funding. You cannot count on being re-funded to run the same project in exactly the same way; you will need to consider what you will do at the end of the contract. Even if the work is a success, a commissioner can still put the work out to tender at the end of the original contract period (and may be obliged by EU law to do so) and fund another organisation to do the same work.

If you plan on entering the arena of tendering to run public services (often a very different experience from running a service that your users want in the way they want it) you will need to think about what you do at the end of your contract. Your stakeholders (including services users, trustees and staff) will want to know, and commissioners will want to know.





**Activity:**  
**Checklist –**  
**Submitting a tender**

Questions about:				What is in place?	What else needs to be done?
<p><b>Partners</b></p> <ul style="list-style-type: none"> <li>• Have you said how you will work with each of the partners (if any) set out in the tender document?</li> </ul>					
<p><b>Managing risk</b></p> <ul style="list-style-type: none"> <li>• Have you identified potential risk and shown how you will manage it (whether it is directly asked or not)?</li> <li>• Have you included an exit strategy?</li> </ul>					
<p><b>Monitoring and evaluation</b></p> <ul style="list-style-type: none"> <li>• Have you explained how you will collect, use and store data gathered from the work?</li> <li>• Have you thought about how the work will be evaluated?</li> <li>• Have you built in costs associated with monitoring and evaluation?</li> <li>• Will your systems effectively gather information on the outputs and outcomes determined by the procurer?</li> </ul>					
<p><b>Costing</b></p> <ul style="list-style-type: none"> <li>• Have you included everything in your price, including any VAT that you will incur delivering the service into the contract cost?</li> <li>• Have you ensured full cost recovery for the work?</li> </ul>					
<p><b>Scoring</b></p> <ul style="list-style-type: none"> <li>• Have you made sure that you have put sufficient emphasis/detail in those sections that score highly in the tender?</li> </ul>					

## Writing your tender

- Make sure you structure your submission around the evaluation criteria that it will be judged on.
- Keep sentences and paragraphs short, punchy and business-like.
- Make sure you sell yourself; don't be afraid to say how great your project is.
- Make sure you have answered everything that is put out in the tender document.
- After writing your tender, summarise what you have included in the tender and why you are best placed to deliver the service. Put this at the beginning of your tender as a kind of executive summary.
- Consider carefully all the questions that are being asked. If there is a question that seems vague or out of place, try to think about why they are asking that question and what information they are looking for.
- Have different colleagues check the tender, including someone who has not seen it before and does not know much about the organisation.

## Putting together your tender

- Don't bind your document as they may want to give sections to different people or photocopy certain parts. Instead, put it in a ring binder or a slide binder, unless they say otherwise.
- Make sure pages are numbered and different sections are clearly marked and that you have not exceeded the number of pages specified.
- If you are including appendices, make sure they are well marked and be very obvious about any appendix that you refer to, e.g. 'The organisation's safeguarding policy can be found as appendix 4. Section F refers to our policy around taking young people on trips.'

## Don't forget!

- Ensure the packaging that you send your tender in is completely anonymous, including the envelope and the franking.
- Make sure you have copies of all your tender documents, just in case something goes wrong.
- Ensure that you have enclosed any supporting documents asked for.
- Ensure that you get the tender in on time; deadlines are not negotiable
- If you hand-deliver the tender, ask for a receipt from the person who takes the tender from you. When posting, send by recorded delivery and keep the receipt as proof of having sent it on time.
- Whether you win the tender or not, ask for feedback from the procuring agency, which can help to build on what was good, learn from what did not go well and raise your profile with the agency.

**Health Warning:** Any tender you submit will be used as a legal contract if you win the tender. Be sure that you can deliver what you say you can, in the time and for the resources specified. You may not have an opportunity to negotiate conditions once you have submitted a bid.





# Getting to grips with finance

Section Four

**Children  
England**  
Charities working for  
children and families



## New forms of finance

Fees from contracts with statutory agencies are now an important source of income for voluntary and community organisations alongside more established sources such as grants, donations and income from trading.

In order to generate income from public sector contracts it may be necessary to consider borrowing (loans). Loans are not themselves a form of income but they facilitate the earning of income.

Loans are not conventionally a component of charity finance (although some larger organisations have engaged in borrowing for many years) and you will need to give careful consideration to any borrowing you undertake (your constitution or legal structure may in fact bar it but advice can be sought on appropriate changes). The topic of loans is considered below.

Further, statutory agencies are developing new approaches to the commissioning of services which have implications for your finances including your use of loans. These include 'payment by results' contracts and so-called 'social impact bonds'.

Payment by results contracts are new and social impact bonds as a financing mechanism for payment by results are newer still. The Work Programme makes use of payment by results contracts to get people back into sustained employment while the first social impact bond pilot, aimed at reducing reoffending, is being conducted at Peterborough Prison.

The Government sees great potential in these approaches particularly when used in conjunction with early intervention models. Support for vulnerable children, families with multiple problems and drug rehabilitation are being targeted next and applications in health are being considered. As with any innovation it is important to observe how the arrangements work out in practice and that includes learning from the organisations that have been involved in the piloting programmes.

## Loan finance

If you are contracting with statutory bodies you might find you need loan finance for a variety of reasons. (This may also be the case if you are involved in trading activities on a large scale or seeking to grow the organisation in other ways).

'Debt finance', as loans are known, can be used to –

- Manage the funding gap between delivering services and getting paid for delivery (cash flow)
- Buying or refurbishing property or buying vehicles and equipment
- Starting up new social ventures or projects
- Expanding or growing the organisation
- Acquiring and developing land

Having funds available to pay salaries and meet other running costs while you are waiting for payment (known as 'working capital') is essential when contracting with the public sector and particularly important in some of the new models being developed, like payment by results (see below).

Debt finance is usually contrasted with equity finance (basically the issuing of shares). Your legal structure or constitution may place limits on your ability to access these types of finance. However, these are not insurmountable problems and you can, where appropriate, take advice on changes to your memorandum and articles, or constitution which will enable you to seek loan finance to further your charitable objectives. You should discuss this fully with your trustee board before embarking on changes to your legal structure or taking loans.

Loans are not income. They must be repaid over a given period with interest. Loans can be 'secured' on assets (like a mortgage) or they can be unsecured. Lenders conventionally offer better terms where the loan is secured because they are taking less of a risk.

The commitments involved should only be undertaken by organisations with strong governance, planning and financial management in place (organisations that are 'investment-ready'). There are some schemes which provide support in these areas as well as access to the loans themselves.

Loans are available from 'high street' banks on a commercial basis and some organisations have made use of this facility successfully. However, there is growing interest in what is termed 'social finance' where investors blend social aims with their financial objectives. This can be a source of finance for organisations that find it difficult to borrow money on normal commercial terms (e.g. because they lack the assets on which a commercial loan could be secured).

There are a number of sources of social finance which provide loans (and other forms of finance) in differing amounts and at various rates of interest including:

- Banks which specialise in social finance including Charity Bank, Triodos Bank and Unity Trust Bank. The Cooperative Bank also offers flexible finance to the sector.
- 'Social finance intermediaries' like CAF Venturesome, the Social Investment Business, Big Issue Invest, Bridges Ventures and Esmee Fairbairn Foundation.
- Regional institutions – e.g. regional Community Development Finance Institutions (CDFIs) which have a focus on economic development in communities facing hardship.

You will need to take advice on which lenders and financial 'products' are right for you. Often voluntary and community organisations will need so-called 'patient capital' (which can take the form of grants

and equity as well as loans). This gives the organisation a long breathing-space to grow. For example, patient capital in the form of debt financing might involve a 10-year loan at a low interest rate. This is an area in which specialist lenders focus.

Social investment is set to become a growth area, particularly in relation to services that support children and young people. Through Big Society Capital (aka Big Society Bank) the Government is aiming to route significant sums into the achievement of social outcomes. Big Society Capital will not lend money directly. Rather it will channel its own resources and additional money it can bring in, including from wealthy individuals, through social finance intermediaries who will develop the 'products' and do the lending.

## Payment by results

'Payment by results' contracts (sometimes called 'outcome-based commissioning' or 'success contracts') are an innovation in commissioning. Essentially, statutory agencies are looking for ways to incentivise the delivery of certain social outcomes, sometimes multiple outcomes in complex situations, through the payment mechanisms written into contracts.

Traditional public sector contracts specify requirements in terms of inputs or outputs (activity) but payment by results contracts link fees directly to the delivery of certain longer term outcomes (e.g. clients remaining in employment/free of drugs/not reoffending etc. for a period of time).

In its pure form this approach leaves the intervention model to the provider. The commissioner's focus is on the results not (within limits) on how the results are achieved.

In many ways this is attractive to voluntary and community organisations who share a desire to achieve the same social outcomes and welcome the scope to develop their own solutions. However, payment by results contracts present challenges for the sector.

In this type of contract the commissioner transfers a great deal of risk to the provider. Because payment is linked to longer term outcomes fees might not be paid for a long time after you have begun providing services (in some models there will be no payments for several years) and might not be paid at all if the agreed outcomes are not achieved.

When going out to tender (and this type of contract is bound to be tendered) the commissioner will look for providers that can manage the financial implications of the long delays in payment including paying salaries and funding other running costs during that period (referred to as 'cash flow' or 'working capital' requirements).

This is one of the circumstances in which you might consider loan finance – in order to bridge the gap.

The Government's Work Programme implemented payment by results on a national scale. The model used in this case involved the appointment of regional 'prime contractors' considered to have the necessary capabilities including financial strength. The sector is not well represented among the prime contractors but more organisations have found roles in supply chains as sub-contractors. They find, nonetheless, that the prime contractors have passed the risk onto them. This is not the only possible model of payment by results and we may in time see a number of different approaches being taken.

'Social impact bonds', discussed below, may be used in conjunction with payment by results contracts. They are a way of financing service delivery (meeting providers' working capital requirements) in the period before outcome-based payments are made. Hence, they are seen by many as one way to unlock greater voluntary and community sector participation in payment by results contracts.

**Health warning:** When considering a payment by results contract it is very important to ensure you have control of all the steps in the chain which lead to the result, and you have the definition of the 'result' written into the contract. For example, if a contract involves delivering training to young people in care and the result which triggers payment is the qualification received, what happens if the social worker moves the young person, or they are punished for misbehaviour by not being allowed out for a certain number of days? If this happens towards the end of the programme considerable costs will have been incurred and there needs to be a way of these being recouped in spite of the 'result' not being achieved.

## Social impact bonds

The name can be confusing, but the essential idea behind 'social impact bonds' (sometimes 'social investment bond/fund') is that the commissioner enters into a payment by results contract with social investors (typically coming together in a partnership structure) and the investors then contract with providers on a more traditional basis to deliver the services.

It is crucial to bringing the right kind of investors together. In practice a variety of approaches may be taken including the use of intermediaries. You may find that providers are expected to help bring investors on board. In the social impact bond approach the risk is transferred to the investors (who may need to wait many years to see a return on their investment or could indeed lose their investment if the agreed outcomes are not achieved) while the providers receive more frequent payments under their contracts.

## Getting to grips with finance Section Four

Investors might not earn as much as they could get from investing their money in other ways but they should get a financial return based on the savings the government makes as a result of the successful outcomes and for socially minded investors there is also a social return. The intention is that mechanisms of this kind will attract new money, including money from rich individuals that don't have a track record in this area.

If the outcomes are achieved the commissioner (sometimes there is more than one commissioner) makes budget savings in the longer term. The (early) intervention models that are funded tackle problems which would be much more expensive to deal with if neglected. The investors are paid from this savings pot (they get a share of the savings to the public purse).

The first social impact bond is being piloted at Peterborough Prison. The Ministry of Justice (together with the Big Lottery Fund) is committed to paying an investor partnership according to the reduction in reconvictions they achieve (a proxy for reoffending) among a group of released prisoners compared to a control group. The interventions that actually reduce reoffending are being delivered by voluntary organisations contracted to the investor partnership.

Social impact bonds are new and may have significant potential. But they will only ever be relevant to a particular set of services, are complex legally and financially and there are major risks to be managed. Given the Government's enthusiasm for this model it is bound to play a role over the coming years but it may not be the only model that is used. You will need to invest some time to understand what social impact bonds are all about and whether they are suitable for your organisation and the type of services you provide. There is no better way than talking to those organisations that are already involved.

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## Personalisation

Personalisation is broadly defined as services that start with individual service users rather than the services themselves, as the public sector has traditionally delivered them. There is no doubt that this agenda offers the potential for improvement in terms of the way individuals' needs are supported but at the same time might mean significant changes for service providers. There is some confusion in the use of the term Personalisation but broadly it is defined as the outcome for the individual and direct payments, individual budgets and personal budgets are the different mechanisms for achieving this.

Personalised services are not new and adult social care has been operating a number of schemes for over ten years. However the scope is expanding into CYP services, including the recent Aiming High for Disabled Children individual budget pilots.

It will be important for CYP voluntary and community sector organisations to keep abreast of these changes and to actively shape the new agenda. This could be a huge opportunity for VCS providers to expand their role in delivery of services.

The Third Sector Research Centre undertook research into the implications for the third sector of this agenda and the following is a summary of their findings:

- providers need to 'truly personalise' services to appeal to micro-commissioners (ie individuals and families);
- providers need to have a good understanding of the groups they are aiming to deliver services for and their associated wants and needs;
- providers need to have a good understanding of the costs of their individual services;
- new opportunities for business or expanding into new service areas may become available for providers;
- a larger role may develop for managing budgets on behalf of individuals or in terms of brokerage or advocacy;
- reductions in block contracting will mean third sector providers will need to market their services in a different way and to a different audience;
- potential for increased 'back office' costs to contract with and chase funds from micro-commissioners.

Organisations should find out what plans exist to personalise services in their area and endeavour to work with the CYP public sector agencies to help to shape the agenda.

**Health Warning:** there are significant financial and workforce implications in delivering personalised services. For example, it may be difficult to predict demand and staff may have to work far more in people's homes and in isolation rather than in a team setting. This will affect how health and safety is managed as well as staff supervision and safeguarding.

## Resources

Many useful resources on funding and finance can be found on the NCVO site (<http://www.ncvo-vol.org.uk/advice-support/funding-finance>) including *Guide to Loans and Other Forms of Finance*.

Social Finance (<http://www.socialfinance.org.uk/>) is one of the best sources of information on social impact bonds.



# Other useful information

Section Five

**Children  
England**  
Charities working for  
children and families

## Community Budgets

Following on from the previous 'Total Place' initiative, Community Budgets are now seen as key to the future for public services. Community Budgets pool and align various national and local funding strands into a single local funding pot. Early pilots have been established to tackle social problems around families with complex needs. It is anticipated that this model will help drive down overhead costs by removing duplication in public spending and through local integration of frontline services.

The success of this initiative will depend to a large extent on the willingness of government departments to pool their funding and lift some of the 'strings' attached to it.

This is certainly an area of development in which the CYP&F VCS can play a major role, both in helping with the re-design of more integrated and innovative services and through delivery. As Community Budget work is further extended across the country, it will be important for local CYP&F voluntary and community organisations to stay informed of developments in their area, both for opportunities to collaborate and to inform their service users.

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## Building and maintaining constructive relationships

While parts of the commissioning process, such as the procurement period, will of necessity be formal, it has been shown that effective commissioning depends on good relationships between commissioning authorities and provider organisations.

In many areas the Compact has helped to promote this by getting the two sectors to sit down and talk to and understand each other. (The Compact is an agreement between government and the VCS and the majority of local areas have adapted the national compact to reflect their local situation). Many areas have incorporated compact principles into their commissioning strategies with great success.

Whether your area has adopted Compact principles or not, what is important is that the two sectors develop dialogue and understanding of how each other operate, mutual understanding, acceptance of difference and knowledge of each other's priorities.

## Eight principles of good commissioning

In 2006, the then Office of the Third Sector in the Cabinet Office, developed principles of good commissioning. These were agreed with all government departments and remain a useful reminder of 'intelligent commissioning', although of course these can no longer be assumed to be government policy. They may help you in your discussions with your local public sector organisations. They are:

1. Develop an understanding of the needs of users and communities, by ensuring that, alongside other consultees, you engage with third sector organisations and advocates, to access their specialist knowledge.
2. Consult potential provider organisations, including those from the third sector and local experts, well in advance of commissioning new services, working with them to set priority outcomes for that service.
3. Put outcomes for users at the heart of the strategic planning process.
4. Map the fullest practicable range of providers with a view to understanding the contribution they could make to delivering those outcomes.
5. Consider investing in the capacity of the provider base, particularly those working with hard-to-reach groups.
6. Ensure contracting processes are transparent and fair; facilitating the involvement of the broadest range of suppliers, including considering subcontracting and consortia building where appropriate.
7. Seek to ensure long-term contracts and risk sharing wherever appropriate as ways of achieving efficiency and effectiveness.
8. Seek feedback from service users, communities and providers in order to review the effectiveness of the commissioning process in meeting local needs.



## If things go wrong:

There are some very good resources in the VCS to help organisations when things go wrong with the contracting and procurement process.

The Compact Advocacy Programme was set up by the National Council for Voluntary Organisations (NCVO) to help the VCS use the Compact to improve their relationships with Government. The programme provides practical support and wider campaigning to the sector in cases where government agencies have not followed the principles agreed in the Compact. Contact the programme if you need help and support on how to use the Compact, what principles have been breached and how to best challenge using the Compact. As well as giving advice and support, they also advocate on behalf of organisations in cases of clear breaches.

[www.ncvo-vol.org.uk/compactadvocacy](http://www.ncvo-vol.org.uk/compactadvocacy)

The Public Law Project provides free advice and training on public law principles to all VCS organisations in England that deal with public bodies. As well as offering regular advice sessions, the project tries to help the VCS gain knowledge and skills to help it negotiate effectively with public bodies.

[www.publiclawproject.org.uk](http://www.publiclawproject.org.uk)

Compact Voice represents the views of the VCS on taking the Compact forward and supports Local Compact Voice in helping to make more effective use of local Compacts with public bodies.

[www.compactvoice.org.uk](http://www.compactvoice.org.uk)

## Negotiation

Negotiation is a key element to successful tendering arrangements – once you have won the tender, the work really begins! Negotiations are very common and can allow organisations and public sector agencies to work out arrangements that are of the greatest benefit to them both. This can feel like a time consuming and frustrating process especially as you will have put so much work into preparing the tender but it is a very important stage. When preparing to negotiate, it is important to think about your particular strengths as an organisation and what influence they allow you to have with the commissioner. Equally, it is essential that you decide at what point you will walk away from the deal when the terms or conditions are not acceptable.

There are four stages in a negotiation process:

- Preparation.
- Discussion.
- Proposal.
- Bargain and close.

## Preparation

Good preparation is absolutely vital to successful negotiation. Ensure that you know your organisation inside out, especially thinking about what you are uniquely able to bring to a service and why you should be given a contract over other organisations that may put in a bid.

Once you have taken the time to really think about who you are and why the public sector agency should give you the contract, you will need to consider your negotiating position. To do this you should determine:

- What your ideal outcome is.
- What terms you are prepared to accept.
- What point will you stop negotiating and walk away from the contract.

You should decide on these thresholds for each part of the contract that can be negotiated, such as your price, the scope of the service or the length of the contract.

## Discussion

Discussion is about opening up the negotiation dialogue. It should start to build a positive and helpful relationship between you and the public sector agency; you should avoid provoking or antagonising language and behaviour as this may hinder the successful completion of your deal.

The discussion phase should be used to:

- Clarify why you and the commissioner are meeting.
- Gather information to better understand the position of the commissioner and possibly share your position.
- Summarise what you and the commissioner both want, what you agree on and where you still need to work out differences.

## The proposal

Once you are sure that you understand the commissioner's position, you should make your proposal.

A good proposal will try to understand the position of the public sector agency and come up with a solution that meets both of your needs. It should answer the question, 'which of the commissioners' needs do we need to meet in order for them to meet our needs?'

Most proposals should be made in an 'if, then' format. The 'if' says what you want from the commissioner, and the 'then' says what you will provide in return. An example of such a proposal is, 'if we are given a three-year contract, then we will deliver two-weekly parenting courses with year-on-year savings of 10 per cent.'

## Bargain and close

Bargaining is about each party offering something to the other in order to reach an agreement. It is important to know what the commissioner wants from you and what you want from them; be cautious about agreeing too quickly on their wants before securing agreement on your wants.

Closing the deal is about ensuring you and the commissioner have made an agreement and are each certain of the terms of that agreement. You can close a deal by offering to write a letter outlining the agreed terms, asking when you should expect to receive the contract or asking whether there is anything else that they would like to discuss.

Even if the commissioner is not ready to close the deal at that moment in time, it can still be a good idea to close on some aspect of the negotiation, such as arranging another meeting or giving a tour of your organisation.

It is important to be assertive in the bargain and close phase of negotiations; you may want to think who in your team is particularly good at being assertive without being aggressive and ask this person to bargain and close on behalf of the organisation.

Taken from Negotiation Briefing: effective negotiating to secure better outcomes.

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## Renegotiation

There will be times when it is necessary to renegotiate a contract during its delivery period. For example, where there have been changes in circumstances such as policy changes (e.g. changes to free nursery provision) or local circumstances (e.g. closure of an amenity, increased unemployment etc). This will be a process that will be to the advantage of both the commissioner and your organisation: the commissioner will not want to be spending money on a need that has changed and you will not want to be delivering a service that needs redesigning. Alert your commissioner as soon as you realise that your contract needs to be changed.

### Resources

The Finance Hub produced a very good briefing on the principles of negotiating, including helpful tips and case studies, *Negotiation Briefing: effective negotiating to secure better outcomes*, which can be downloaded from [www.financehub.org.uk](http://www.financehub.org.uk)

## Full-Cost Recovery (FCR)

Full-cost recovery is about understanding the true costs of a piece of work and then negotiating for the appropriate fee to deliver it. The full cost of a service includes overheads such as rent and utilities, management costs, workforce development and any other costs that must be met in order for the organisation to survive, grow and develop. In order to calculate full-cost recovery you should add up all of your overhead costs, that is everything you pay out that is not associated with a specific project, and distribute them proportionately across all of the projects and services you deliver so that these costs are included in the price of your service in a 'comprehensive, robust, and defensible basis.'

In some cases, however, you may decide to forgo full-cost recovery if you feel that it benefits your beneficiaries to do so. For example, you could receive a contract to run a service you were planning on running anyway, perhaps because your service users requested it.

Or, you may already have partial funding from another source, and the contract would allow you to deliver a more comprehensive service. Do ensure that taking a contract for less than the amount that it will cost to run the service is a well-thought-out choice and not simply a way for the commissioner to take advantage of the dedication of the VCS.

It may be difficult to accurately estimate the cost to your organisation of delivering a service, but it is essential that you make your best attempt to do so before deciding to bid for a contract. There have been many reports of organisations being asked to deliver a service for a fee that is far below the actual cost of running the service. Misjudging this not only puts the organisation's sustainability and reputation at risk, it also risks negatively impacting on the wellbeing of service users. See appendix 3 for a tool to help you calculate unit cost and unit price.

**Health Warning:** Public sector agencies are under increasing pressure to show efficiency gains, which means that they will often be looking for ways of saving money with the contracts they buy. Commissioners will look at the cost of a service over the life of the contract, including any costs associated with the finishing of a project or contract. They may not be willing to give a year-on-year increase with inflation and may even ask you to show how you will reduce costs each year.

## Resources

*Full Cost Recovery – a guide and toolkit on cost allocation*, available as a free download from [www.fullcostrecovery.org.uk](http://www.fullcostrecovery.org.uk) and includes a comprehensive list with explanations of all costs.

The National Lottery and ACEVo produced a guide, including case studies:

[http://www.biglotteryfund.org.uk/er\\_res\\_fcr\\_funders\\_manual.pdf](http://www.biglotteryfund.org.uk/er_res_fcr_funders_manual.pdf)

## TUPE (Transfer of Undertakings, Protection of Employment)

TUPE stands for Transfer of Undertakings (Protection of Employment) Regulations 2006. These regulations (which derive from European law) protect the rights of employees in the context of a transfer of work from one employer to another, including in the context of contracting, requiring the new employer to take on the staff allocated to the work and maintain their terms and conditions, such as pay and leave entitlements. In parallel the Government has introduced pension protection for public sector staff that transfer from one employer to another.

Currently, when staff transfer from the public sector, their terms and conditions must be preserved under the TUPE regulations and they must be offered a 'broadly comparable pension'. (However, the Government is reviewing both the TUPE regulations and the rules on pensions.)

In particular the obligation to take over pension liabilities can create a major barrier to organisations wanting to deliver contracts. If the public sector organisation has a company pension scheme, the new contracting organisation and its trustees may be liable to guarantee the transferred staffs' pension arrangements.

There can also be TUPE costs associated with losing a contract that you previously held. If staff need to be transferred to a new organisation it could mean significant costs in administration and finance management time, including time to meet with staff and the new contracting organisation, gather information about terms of employment and potentially reshuffle other employees work responsibilities, for example a manager who was managing other staff as well as the transferred staff.

Don't assume that everybody (including the public sector commissioner) understands the implications of TUPE. Usually there will be a period of time during which prospective contractors can ask questions about the contract, and the question and response

will have to be provided in writing to all who are interested in tendering for the contract. It may be worthwhile to ask the commissioner about TUPE. Do the other bidders know the implications of TUPE, including potentially being responsible for paying transferred staff salary and pension at their current rate? Do they know that they may be liable for buying any buildings or equipment associated with the contract?

If you are bidding for a new contract are you aware of any TUPE implications and their impact if you win the contract? Conditions of TUPE may seriously prevent an organisation from successfully delivering a newly won contract and can even threaten the stability of the entire organisation. It is essential that all organisations involved in tendering for a specific contract know the implication of the TUPE arrangements.

TUPE applies regardless of whether an organisation operates to make a profit or has purely charitable objectives, and regardless of the size of the organisation.

### Does TUPE apply?

The two broad categories where TUPE applies are 'business transfers' and 'service provision changes'. In the VCS, most TUPE transfers will be service provision changes. Most contracting situations where there is a change in the service provider are covered by TUPE legislation. This is also true if a project transfers from one organisation to another in the VCS and its activities are broadly similar after transfer.

### Summary of the effects of TUPE:

- All employees employed in the service that is being transferred automatically become employees of the new employer (the 'transferee'). An employer cannot pick and choose which employees to take on.
- Employees must transfer on the same terms and conditions ('contracts of employment') as those they had with their former employer. Length of service is also maintained from the former employer.
- The new employer takes over all liabilities (e.g. unfair dismissal or discrimination claims) arising from those contracts of employment, except for criminal liabilities.
- Any liabilities relating to employees who were dismissed before the transfer (for a reason connected with it) also transfer to the transferee. So if the transferor were to dismiss an employee immediately before the transfer, to avoid the employee having to transfer, the liability for unfair dismissal would fall to the transferee.
- Any collective agreements made with recognised trade unions and any recognition agreements where the business retains a distinct identity following the transfer will also transfer.
- There is special protection against dismissal. Employees who are transferred cannot, in most

## Other useful information Section Five

circumstances, be dismissed if the dismissal is in connection with the transfer.

- Of course, the above provision does not mean that an employer cannot dismiss in any circumstances. A case of gross misconduct, for example, would warrant dismissal. A dismissal in this case would be for misconduct, not on account of the transfer.
- Employees may object to the transfer or resign and claim unfair dismissal if the transfer involves a substantial change in their working conditions to their material detriment.

**Source:** Workforce Hub 'TUPE' fact sheet for voluntary and community organisations – transferring projects to and from your organisation.

**Health Warning:** TUPE and public sector pensions are complex legal issues. You should get professional legal advice on how TUPE and the pensions rules will impact on your organisation in the case of winning or losing any contract.

**Health Warning:** Ensure that you speak to your staff throughout the process. Transferring employees can be a destabilising time for everybody involved, including for those who remain in your organisation. You may have to put new administration systems in place for managing staff on different terms and conditions of employment

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### Resources

The NCVO site contains useful information on all workforce topics [www.ncvo-vol.org.uk/advice-support/workforce-development](http://www.ncvo-vol.org.uk/advice-support/workforce-development)

Or from the Department of Business Innovation and Skills guidance on TUPE and other employment matters <http://www.bis.gov.uk/tupe>

Another TUPE fact sheet from the Chartered Institute of Personnel and Development that is comprehensive, if a bit complicated <http://www.cipd.co.uk/hr-topics/tupe.aspx>

## VAT (Value Added Tax)

VAT is charged on the supply of goods and services where consideration is received in return. Supply broadly means provision or sale. Consideration means payment, which can be payment in money or payment in kind, such as supplying goods or services in return for other goods or services.

For example, if one organisation provides office space to another organisation in return for the use of workshop supplies, both organisations must still charge and pay VAT, even though no actual money was exchanged in the process.

VAT does not apply to every service or good. VAT is only chargeable on supplies that are not exempt from VAT, such as children's clothes or disability equipment, or covered by the VAT zero rate (such as food, children's clothing and books) for organisations that supply taxable goods or services of more than £73,000 (the 2011/12 threshold for VAT registration).

Some cases where VAT may be chargeable and due:

- Certain health, welfare and education services.
- Some supplies and goods.
- Providing services or goods in return for payment. This is where, if your organisation has mostly been grant funded, but you are now moving to charging a fee for your work, i.e. contracting, VAT may start to apply.
- Services or goods 'bartered' or traded between partner organisations.
- If you have a taxable income of over £73,000 (the threshold for compulsory VAT registration).

**Source:** VAT Briefing: VAT made simple when working in partnership (Finance Hub).

**Health Warning:** VAT is a complex legal issue. You must seek legal advice before taking on new contracts to see how VAT affects you. If you do not pay and charge VAT when you should do, you leave yourself open to having to pay what can be a significant amount of money all at once, which can seriously destabilise an organisation that had not budgeted for that amount of outgoings. Be sure to get any advice you are given in writing to cover your tracks in the event of something going wrong later on.

### Resources

Sandy Adirondack has produced useful guides to legal issues in the VCS, including one on VAT.

[www.sandy-a.co.uk/vslh/53vat.htm](http://www.sandy-a.co.uk/vslh/53vat.htm)



# Glossary of terms

Section Six

**Children  
England**  
Charities working for  
children and families



## Glossary of terms

### Appendix 1

**Added value** is about showing how the children, young people and families who will be using the service will benefit more from your service than they would from another service. It can also be about showing how the broader community will benefit from your particular way of doing things.

**Approved/preferred providers** are those providers who have already passed through some kind of assessment process by demonstrating that they met the commissioner's quality standards (if any) in addition to registration requirements.

**Best value** is the term used to explain how commissioners must plan, deliver and improve services in an area in order to ensure that services are delivered in a way that is efficient, effective, economical and appropriate to the needs of the end users.

**Bid** is usually used in connection with grant funding (but may also refer to a tender). The funder sets out the issues that the grants are intended to address and then bids from organisations offer a variety of ways of solving the problems and at various costs. Successful bids result in the award of a grant.

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**Children's trust** arrangements are led by local authorities in order to commission, plan, fund and deliver children's services. Children's trusts establish what services are needed to coherently address the needs of children and young people in an area.

**Commissioning** describes the whole process of mapping, planning, delivery and evaluation of services for a local area. The commissioning process for children's services is detailed in the government document, Joint planning and commissioning framework for children, young people and maternity services, which can be found at [www.education.gov.uk](http://www.education.gov.uk)

**Commissioning officers** hold the budget for the procurement of local services and make the business case for the services to be purchased. Commissioning functions are separate from those of procurement functions.

**Commissioning for Outcomes** is when 'results' rather than 'activities' are specified.

The **Compact** is an agreement between Government and the voluntary and community sector that aims to improve their relationship for mutual advantage and community gain. The national Compact outlines a set of principles intended to help govern the relationship between public sector organisations and the VCS, with the aim of ensuring a fair and transparent deal for each party involved.

**Competitive tendering** refers to the process whereby an agency advertises for organisations to make an offer to deliver a particular service. The offers are considered in a competitive environment and should use an open and transparent system. All of the offers are evaluated against certain, predetermined criteria, and the provider that offers the best value is then chosen to deliver the service.

A **contract** is a legally recognised, legally enforceable promise made between parties that sets out the arrangements whereby one party provides a service (or goods) to the other in return for payment. These days, contracts are about getting paid for outcomes that you achieve. Contracts are subject to EU and UK law and, in some cases, contracting may have VAT implications, which means that you may have to charge VAT.

**Contracting** is the process of entering into a legally binding contract. It is part of procurement.

**Consortia** – a consortium is developed by a number of groups agreeing to pool resources or work together towards a common goal, e.g. to submit and deliver a tender

**CVS/CVYS/VA** refer to 'council for voluntary service', 'council for voluntary youth service' and 'voluntary action' centre respectively. They are local infrastructure organisations that provide voluntary and community organisations with support, services, training and development opportunities, as well as giving them voice and promoting the interests of the sector in decision making fora.

**Decommissioning** refers to the process of planning and managing a reduction in service activity or terminating a contract in line with commissioning objectives.

**Expression of interest (EOI)** is the process of a delivering organisation informing a public service commissioner that it is interested in competing for contract (usually made in response to an advertised contract notice). There will often be a specific form to fill in.

**Full-cost recovery** is about understanding the true costs of a piece of work and then negotiating for the appropriate fee to deliver it. The full cost of a service includes overheads such as rent and utilities, management costs, workforce development and any other costs that must be met in order for the organisation to survive, grow and develop.

**Framework agreements** are set up for a fixed period of time (say 4 years). Providers on the framework are the commissioned to provide services (they enter into contracts). Framework agreements are 'closed' in the sense that new providers cannot join a framework once it has been established.

A **grant** is a sum of money given to an organisation to undertake an activity. Grants can be given to fund a specific project, which the organisation may be required to monitor and report on or show how the money has been spent. Grants are often initiated by an organisation.

**ICT** is short for 'information and communications technology'. It refers to the processes, systems knowledge, skills, hardware (such as computers), software (such as computer programmes); that is, all the things necessary to manipulate and communicate information.

**ITT** is an 'invitation to tender'. The service specification, contract terms and payment mechanism are sent with the ITT, along with information on the timetable and procedure for submitting tenders. In 'open' procedures you have to submit a 'pre-qualification questionnaire' (PQQ) at the same time as your tender. In a 'restricted' procedure there are two stages and you return the PQQ at the first stage. Only if you get through that stage do you receive an ITT.

**KPIs** are Key Performance Indicators. KPIs are tools which help purchasers to measure the performance of suppliers against their contractual obligations and may form the basis for payments. KPIs are written into the contract (this part of the contract may be described in some cases as the SLA). These days, the KPIs might define the outcomes to be achieved or measure progress towards achieving outcomes.

**Payment by Results** means tying payment under a contract to the delivery of sustained outcomes for clients. Payments are not made until the outcomes defined in the contract can be demonstrated. This transfers significant risks to providers.

**Personalisation of public services** aims to empower service users to shape their own lives and choose the services they receive. The outcome of personalisation can be achieved through direct payments, individual budgets, personal budgets and relies on support and advocacy of the individual.

**PQQ** stands for 'pre-qualification questionnaire' and is a document which is used to assess your financial standing and capability as a provider. You will be asked to return a PQQ at the first stage of a 'restricted' procedure or with your tender in an 'open' procedure.

**Procurement** is another term for purchasing (goods, services or works). In this guide it refers specifically to purchasing of services by statutory agencies. It includes contracting.

Procurement is one part of the commissioning process. Particularly in the context of this guide, a **commissioner** is the public service agency that buys the service.

**Public services** refer to services which are funded with public money. Public services can be delivered by the state or on behalf of the state by another organisation, such as a voluntary and community organisation. When a third party delivers a service on behalf of the state, they do so under the terms set out in a contract.

**Quality assurance marks**, also known as **kite marks**, are certificates that say an organisation has been through some kind of external assessment and was able to prove that it is well run, effective and a good investment for a funder or commissioner.

**PQASSO** and **Investors in People** are examples of quality marks.

**Service Level Agreement (SLA)** can refer to a simple form of contract (a short contract) or it can be used to describe the part of a contract that states the service levels (KPIs) required. (In some contexts you will see it used to describe internal agreements between different parts of the same organisation).

**Social Impact Bond**. This one of a number of innovative financing mechanisms under development. Essentially, the commissioner enters into a Payment by Results contract (see above) with a partnership of social investors. The risk of delivering the outcomes (and therefore getting a financial return) is borne by the investors. Providers have more traditional contracts to deliver interventions that will achieve the outcomes.

A **social enterprise** is a business with primarily social objectives whose surpluses are reinvested for that purpose in the business or in the community, rather than creating profit for shareholders and owners. Social enterprises can take many organisational forms.

**Specification** is a detailed description of services (or goods) to be purchased. An organisation must be able to deliver what is required, exactly as set out in the specification.

A **tender** is a formal offer made in writing to provide services precisely as specified in the tender documents for a stated fee. Successful tenders result in the award of a contract to deliver the services specified. You may submit a tender to retain the right to deliver an existing service or to win a contract for a new service.

**TUPE** stands for Transfer of Undertakings (Protection of Employment) Regulations 2006. The purpose of TUPE is to preserve continuity of employment and to safeguard employment rights of all employees whose employment transfers to a new employer as a result of a relevant transfer. In the public sector there are currently additional rules which ensure transferring staff get a broadly comparable pension.

A **unit cost** is determined by calculating how much it costs to run a service and then distributing that cost proportionately over the activities, or outputs, of the service or the number of clients served.

A **unit price** is how much a delivering organisation charges for each client served or output delivered.

**USP** stands for 'unique selling point' and is that which an organisation does that no one else does.

**VAT** (Value Added Tax) is a form of indirect sales tax paid on products and services at each stage of production or distribution, based on the value added at that stage and included in the cost to the customer.

**VCS** stands for 'voluntary and community sector' and is also known as the third sector. The phrases not-for-profit sector and civil society may also be used.

### Resources

[www.tenderingforcare.com](http://www.tenderingforcare.com) has a good, comprehensive glossary of terms relating to commissioning.

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## Key Terms in Monitoring and Evaluation

**Overall Aim/Mission:** Why an organisation or projects exists and the broad effect that it wants to have. A summary of the overall difference it wants to make and to whom.

**Aims:** Particular changes or differences the project or organisation plans to bring about for its users. Changes that need to occur if the overall aim is to be achieved or progress made towards achieving it.

Use words that are about change like: to enable, to improve, to increase, to reduce, to maintain.

**Objectives:** The broad areas of activity a project or organisation plans to deliver to achieve its aims. How you will achieve your aims.

Use words that describe what you do like: to provide, to support, to offer, to run, to set up.

**Inputs:** All the resources a project or organisation needs to carry out its work such as staff and volunteer time, funding and technical resources. Inputs will directly affect the quality of your outputs.

**Processes:** The internal operations of an organisation such as staff training, team meetings, development of quality assurance systems etc.

**Outputs:** All the detailed activities, services and products your organisation or project actually does or provides for its users.

**Outcomes:** Single significant changes that directly result from your activities. Outcomes added up should achieve your aims (outcomes define/ breakdown what the aim will look like when achieved). Outcomes will also help to achieve impact.

Outcomes can be at the level of individuals, families, communities, environment or policy.

You may also have intermediate outcomes, smaller changes along the way to you end outcomes.

**Impact:** Broader, deeper or longer term effects of a project or organisation's outputs and outcomes.

**Indicators:** Well defined, easily measurable information which shows how well the organisation or project is performing.

**Outcome indicators** are measures you can use to assess whether your expected outcomes are occurring. They are value neutral statements like:

- The extent of
- The level of
- The amount of
- The ability to

**Output indicators** prove that your outputs have been delivered (i.e if you run a workshop output indicators would be: no. of attendees; signing in sheet; completed evaluation forms etc prove that the workshop took place.

Having well worded and clear outputs and outcomes makes developing indicators much simpler!

**Monitoring:** The routine systematic collection of information for the purpose of checking your project's progress against your project plans.

**Collecting:** The VCS are usually very good at this but not so good at making use of it, we collect more information than you think, often not realising this information is a valuable part of our monitoring data.

Be careful to collect only what you need and will use, be clear about how each piece of information will be used.

**Evaluation:** Using monitoring and other information to make an assessment (judgement) on how you project is doing. Makes a judgement about where you are in relation to achieving your outcomes/ aims and ultimately your mission.

You can evaluate as you go through a project to help you improve, and/or at the end to measure your effectiveness and inform future projects.

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# Activity: Calculate your unit cost

Fill in the workbook below to calculate your unit cost.

The example given shows a daycare organisation that provides year round places to 30 children. The figures used are fictional and do not necessarily reflect accurate costs.

### A. Which staff will you use on the contract? (Include management and supervision time)

	Name	Annual Salary		Employer NI		Pension contributions		Other payments		Total		% of their time spent on the contract	Cost for the year
1.	John Doe	£21,000	+	£2,100	+	£1,050	+	£0	=	£24,150	x	100	£24,150
2.	Jane Bloggs	£18,000	+	£1,800	+	£900	+	£0	=	£20,700	x	100	£20,700
3.	Jordan Thompson	£22,000	+	£2,200	+	£1,100	+	£0	=	£25,300	x	100	£25,300
4.	Jon Smith	£18,000	+	£1,800	+	£900	+	£0	=	£20,700	x	50	£10,350
5.	April Flowers	£30,000	+	£3,000	+	£1,500	+	£0	=	£34,500	x	50	£17,250
<b>Total cost per year of contract staff</b>													<b>£97,750</b>

	Name	Annual Salary		Employer NI		Pension contributions		Other payments		Total		% of their time spent on the contract	Cost for the year
1.		£	+	£	+	£	+	£	=	£	x		£
2.		£	+	£	+	£	+	£	=	£	x		£
3.		£	+	£	+	£	+	£	=	£	x		£
4.		£	+	£	+	£	+	£	=	£	x		£
5.		£	+	£	+	£	+	£	=	£	x		£
6.		£	+	£	+	£	+	£	=	£	x		£
7.		£	+	£	+	£	+	£	=	£	x		£
8.		£	+	£	+	£	+	£	=	£	x		£
9.		£	+	£	+	£	+	£	=	£	x		£
10.		£	+	£	+	£	+	£	=	£	x		£
<b>Total cost per year of contract staff</b>													<b>£</b>

### A1. What proportion of your workforce will be working on this contract?

For example, if you have 6 full-time employees and 3 of them will be working on the contract full time and 2 will work half time, 66% of your workforce hours would be spent on the contract.

Contract working hours

Hours per week	x	Number of employees	=	
35	x	3	=	105
17.5	x	2	=	35
	x		=	
<b>Total</b>				<b>140</b>

Contract working hours

Hours per week	x	Number of employees	=	
	x		=	
	x		=	
	x		=	
<b>Total</b>				

Total working hours

Hours per week	x	Number of employees	=	
35	x	6	=	210
	x		=	
	x		=	
<b>Total</b>				<b>210</b>

Total working hours

Hours per week	x	Number of employees	=	
35	x		=	
	x		=	
	x		=	
<b>Total</b>				

Proportion of workforce working on the contract:  $\frac{140}{210} = 66\%$  A1

Proportion of workforce working on the contract:  $\frac{\text{Grey}}{\text{Orange}} = \text{Green}$  A1

**B. In order to fulfil the contract; how much more will you be required to spend on:**

	Expense	Budget	x	Number of staff/sessions/ months	=	Total
1.	Travel	£1,000	x	5 staff	=	£5,000
2.	Training	£200	x	5 staff	=	£1,000
3.	Recruitment	£200	x	1	=	£200
4.	Materials	£160	x	50 weeks	=	£8,000
5.	Reporting costs	£90 (1/2 day per quarter)	x	4 quarters	=	£360
6.	Lunch/snacks	£500	x	50 weeks	=	£25,000

Total 'other' costs: **£ 39,560 B**

	Expense	Budget	x	Number of staff/sessions/ months	=	Total
1.		£	x		=	£
2.		£	x		=	£
3.		£	x		=	£
4.		£	x		=	£
5.		£	x		=	£
6.		£	x		=	£

Total 'other' costs: **£ B**

**C. What do you have budgeted for overhead costs?**

	Expense	Monthly budget	x	12 Months	x	% from A1	=	Total
1.	Rent	£1,000	x	12	x	66%	=	£7,920
2.	Rates	£125	x	12	x	66%	=	£990
3.	Electric/Gas	£500	x	12	x	66%	=	£3,960
4.	Water	£22	x	12	x	66%	=	£174
5.	Maintenance	£40	x	12	x	66%	=	£317
6.	Depreciation	£84	x	12	x	66%	=	£665
7.	Office supplies	£12	x	12	x	66%	=	£95
8.	Finance costs	£60	x	12	x	66%	=	£475

Total cost of contract overheads: **£ 14,596 C**

	Expense	Monthly budget	x	12 Months	x	% from A1	=	Total
1.		£	x	12	x		=	£
2.		£	x	12	x		=	£
3.		£	x	12	x		=	£
4.		£	x	12	x		=	£
5.		£	x	12	x		=	£
6.		£	x	12	x		=	£
7.		£	x	12	x		=	£
8.		£	x	12	x		=	£

Total cost of contract overheads: **£ C**

**D. What is the annual cost of the contract?**

1.	<b>From A</b>	Total cost per year of contract staff	£ 97,750
			+
2.	<b>From B</b>	Total 'other' costs	£ 39,560
			+
3.	<b>From C</b>	Total cost of contract overheads	£ 14,596
			=
		<b>Total Annual cost of contract</b>	<b>£ 151,906</b>

1.	<b>From A</b>	Total cost per year of contract staff	£
			+
2.	<b>From B</b>	Total 'other' costs	£
			+
3.	<b>From C</b>	Total cost of contract overheads	£
			=
		<b>Total Annual cost of contract</b>	<b>£</b>

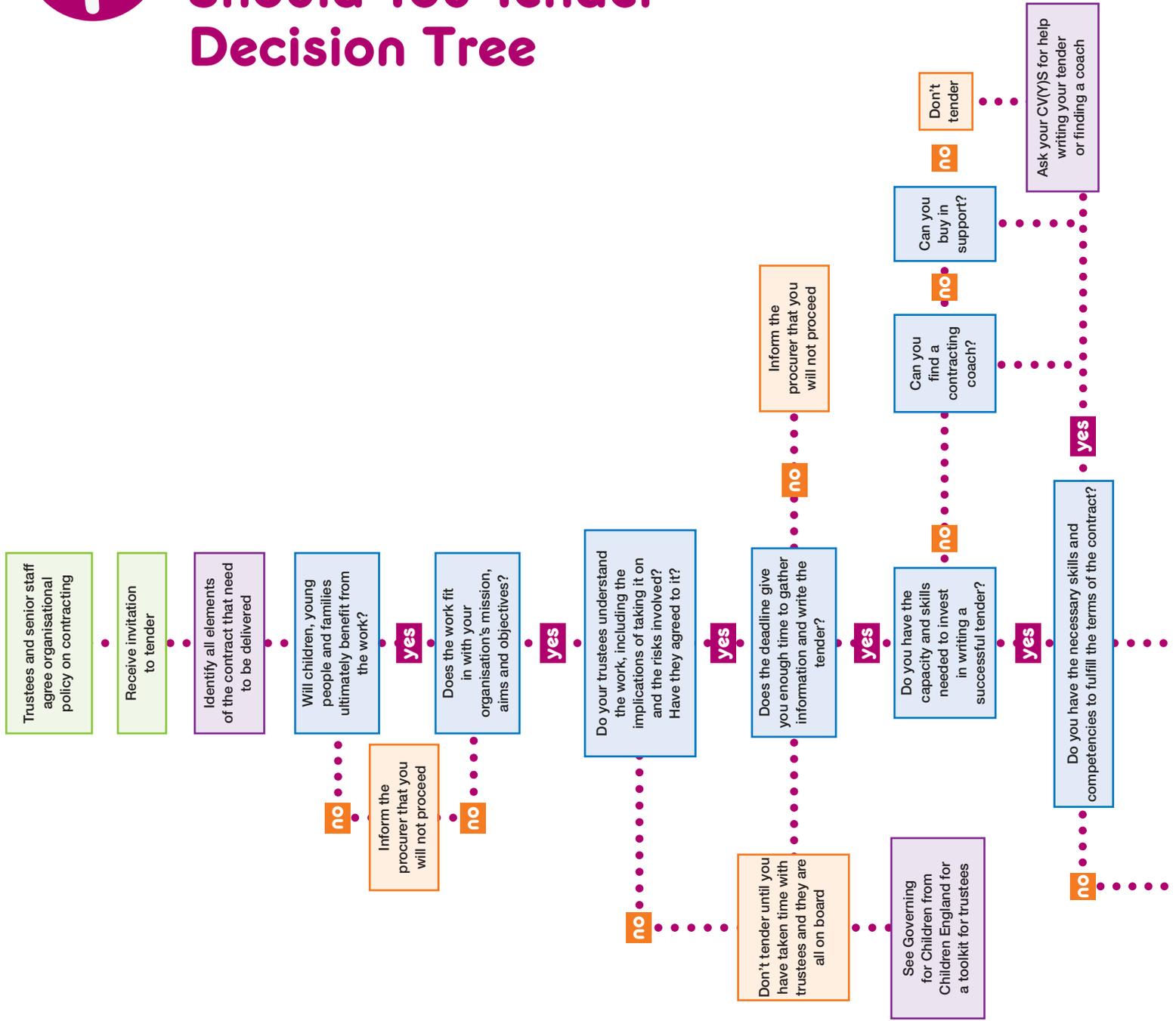
To calculate unit cost, take the the total annual cost of the contract 'D' and divide it by the total number of 'units' you will be providing, i.e. number of daycare places, weekly homework club sessions or families reached by your service:

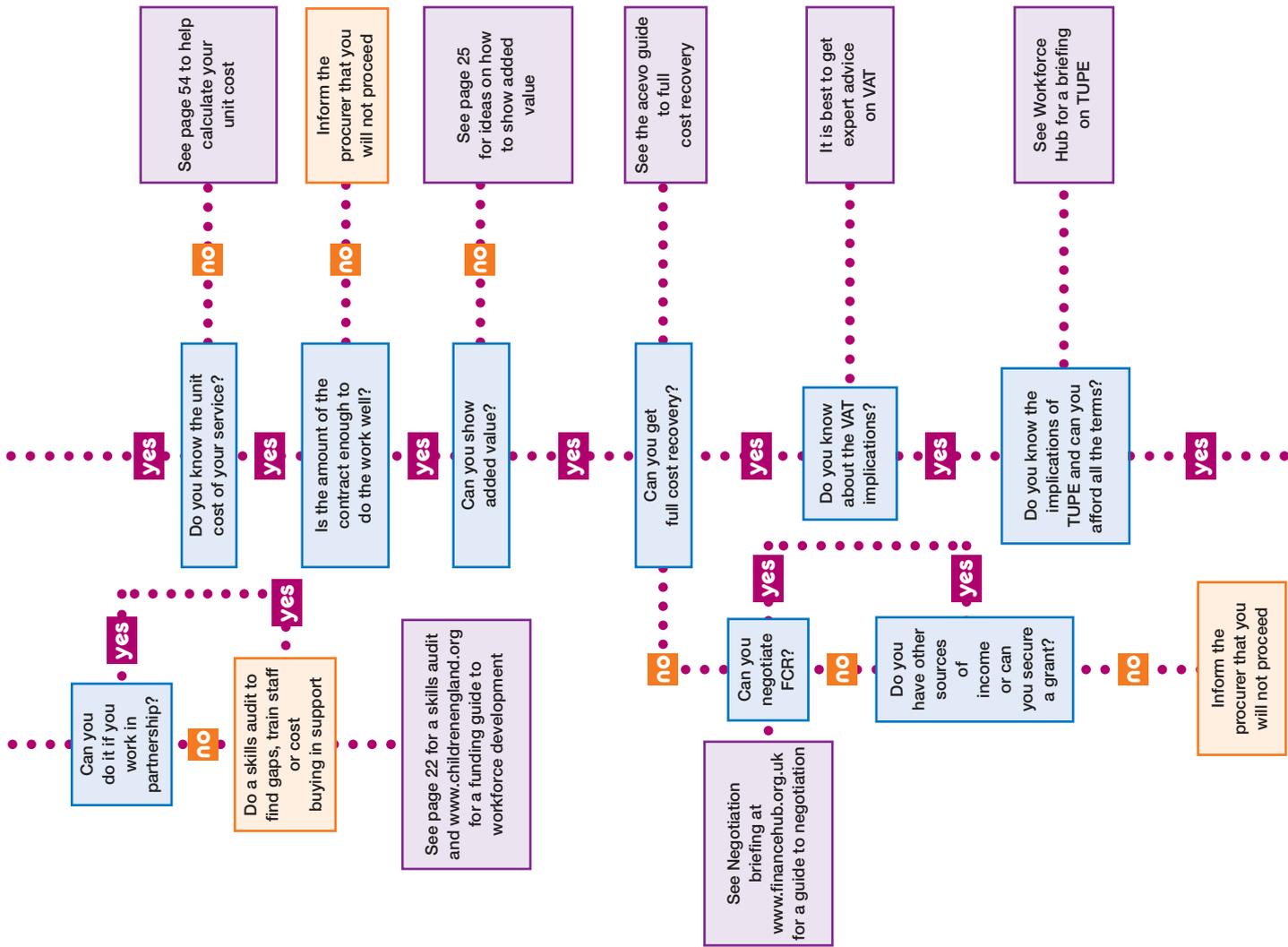
D **£ 151,906** / **30** Units = **£ 5,064** UNIT COST

D **£** / **Units** = **£** UNIT COST



# Activity: Should You Tender Decision Tree





**Go for it!**



# Activity:

## Checklist – Are you ready to tender?

Questions about:				What is in place?	What else needs to be done?
<b>You</b>					
<ul style="list-style-type: none"> <li>Do you know how you fit into a ‘world map’ of your area; what your unique selling point is, who else is doing what and how your work fits into the local community?</li> </ul>					
<ul style="list-style-type: none"> <li>Are you able to explain succinctly who you are and what you do?</li> </ul>					
<ul style="list-style-type: none"> <li>Have staff members and volunteers been CRB checked/registered with the Independent Safeguarding Authority? Have trustees?</li> </ul>					
<ul style="list-style-type: none"> <li>If asked, would you be able to produce your:                             <ul style="list-style-type: none"> <li>Constitution?</li> </ul> </li> </ul>					
<ul style="list-style-type: none"> <li>Annual report and accounts for the last three years, independently examined or audited and in order?</li> </ul>					
<ul style="list-style-type: none"> <li>Business plan?</li> </ul>					
<ul style="list-style-type: none"> <li>Project budget and multi-year budget for the whole organisation, including detailed costing and a cash flow analysis?</li> </ul>					
<ul style="list-style-type: none"> <li>Governance structure, including trustee board (or management committee/governing body) membership and terms of reference?</li> </ul>					

Questions about:				What is in place?	What else needs to be done?
<b>Policies</b>					
<ul style="list-style-type: none"> <li>Do you have the necessary policies in order and to hand, including:                             <ul style="list-style-type: none"> <li>Safeguarding policy?</li> </ul> </li> </ul>					
<ul style="list-style-type: none"> <li>Equal opportunities policy?</li> </ul>					
<ul style="list-style-type: none"> <li>Complaints procedures?</li> </ul>					
<ul style="list-style-type: none"> <li>Health and safety policy?</li> </ul>					
<ul style="list-style-type: none"> <li>Risk assessment and management policy?</li> </ul>					
<ul style="list-style-type: none"> <li>Insurance, including public liability?</li> </ul>					
<ul style="list-style-type: none"> <li>Performance bond cover in case of defaulting on the terms of the contract (not always a requirement)?</li> </ul>					
<ul style="list-style-type: none"> <li>Professional indemnity insurance?</li> </ul>					
<ul style="list-style-type: none"> <li>Environmental policy?</li> </ul>					
<ul style="list-style-type: none"> <li>This should show that you are thinking about the impact your work is making on the environment and should include such things as encouraging staff to use public transportation, recycling, turning off computers etc.</li> </ul>					



# Activity:

## Checklist – Are you ready to tender? continued

Questions about:				What is in place?	What else needs to be done?
<p><b>Capacity</b></p> <ul style="list-style-type: none"> <li>Do you have enough staff time and experience to allow you to effectively enter into all stages of the tendering process?</li> </ul>					
<ul style="list-style-type: none"> <li>If not, do you know where to get the support you need?</li> </ul>					
<ul style="list-style-type: none"> <li>Do you have the IT systems in place to allow you to effectively monitor data gathered by your services?</li> </ul>					
<ul style="list-style-type: none"> <li>Do you have the IT support needed to maintain your system in a way that will help rather than hinder your ability to deliver?</li> </ul>					
<ul style="list-style-type: none"> <li>Have you thought about sharing the cost of this kind of support with other small organisations working in your area?</li> </ul>					
<ul style="list-style-type: none"> <li>Have you thought about looking for voluntary IT support, perhaps from students looking for experience or professionals wanting to volunteer?</li> </ul>					
<ul style="list-style-type: none"> <li>Do you have robust monitoring and evaluation systems in place?</li> </ul>					

Questions about:				What is in place?	What else needs to be done?
<b>Collaboration</b>					
• Do you have a legal contract with your partners?					
• Have you written and agreed a governing document for the partnership?					
• Do all partners know:					
• The partnership's aims?					
• The partnership's responsibilities?					
• The partnership's procedures?					
• The partnership's purpose?					
• The partnership's history?					
• The partnership's financial position?					
• The partnership's reporting arrangements?					
• The partnership's profit share?					
• The partnership's allocation of liability?					
• The partnership's voting rights?					
• Who has responsibility for what?					
• Who reports to whom?					
• How you will solve any problems that arise within the partnership?					



# Activity:

## Checklist – Are you ready to tender? continued

Questions about:				What is in place?	What else needs to be done?
<b>Local priorities</b>					
<ul style="list-style-type: none"> <li>• Are you aware of your local area's stated priorities for children and young people?</li> </ul>					
<ul style="list-style-type: none"> <li>• Do you know how to link your service and outcomes to local priorities?</li> </ul>					
<ul style="list-style-type: none"> <li>• Are you linked into local voluntary sector networks?</li> </ul>					
<ul style="list-style-type: none"> <li>• Do you know who your VCS representative is on the children's trust, CYP Local Strategic Partnership, Local Safeguarding Children's Board?</li> </ul>					
<ul style="list-style-type: none"> <li>• Do you know where to go to find information about local children's services?</li> </ul>					
<ul style="list-style-type: none"> <li>• Do you know where local strategic decisions are taken and how you can influence the process?</li> </ul>					
<ul style="list-style-type: none"> <li>• Do you know how your work is perceived by the procurers who make buying decisions?</li> </ul>					



# Activity:

## Checklist – Should you tender?

**Health Warning:** Think carefully about whether to tender for any given piece of work. Do not rush into it just because you are afraid of missing out on opportunities.

**A Before completing the checklist you will need to carry out the following work:**

- Read through the invitation to tender and extract all requirements under the following headings: service delivery requirements, staffing and skills requirements, reporting requirements, infrastructure support requirements, financial investments required and accreditations desired.

**B Once you have the above details, complete the following checklist:**

### Mission

- Does the work fit in with your organisation's mission, aims and objectives?
- Do your service users identify with the work?
- Will you have to invest less in other projects in order to deliver the contract?
- Have the implications of this been thought through?
- Does the piece of work fit with your business plan and strategy?
- Do your governing documents (e.g. your Memorandum and Articles of Association) allow you to undertake this work?
- Will it enhance or detract from other areas of your work?

### Collaboration

- Do you have strong partnerships in place that will help, rather than hinder, your delivery?

	✓	✗
Does the work fit in with your organisation's mission, aims and objectives?		
Do your service users identify with the work?		
Will you have to invest less in other projects in order to deliver the contract?		
Have the implications of this been thought through?		
Does the piece of work fit with your business plan and strategy?		
Do your governing documents (e.g. your Memorandum and Articles of Association) allow you to undertake this work?		
Will it enhance or detract from other areas of your work?		
Do you have strong partnerships in place that will help, rather than hinder, your delivery?		



### TUPE

TUPE is regulation that protects the terms and conditions of employees who must be transferred in the event of a change in contract holder for an ongoing service. See page 47 for more.

- Do you know if TUPE applies if you win the contract?
- Do you know what the risks are associated with TUPE?
- Will you be able to take on all of the TUPE conditions?

### Is it a good opportunity?

- Is it possible to deliver a high quality service for the money specified in the tender?
- Are you sure about the meanings of all the terms used? Do you need to clarify anything with the procurer?
- What do you know about the particular commissioner? Do you want to provide a service for them? Do you have relevant experience in the client group, geography and type of work?
- Are all the clauses in the proposed contract acceptable to your organisation, are there any opportunities to renegotiate any of the terms?
- Is the time that will be spent in submitting a tender worth it? Consider the contract value, the overall value to your organisation, and your likelihood of winning the contract.







## Love Your Tender

A guide to contracting for the Children and Young People's voluntary and community sector

# Children England

Charities working for children and families

## Children England

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Registered Charity No. 1044239  
Registered Company No. 3011053

## Children England

**Children England is the leading membership organisation for the children, young people and families voluntary sector.**

Our mission is to create a fairer world for children, young people and families by championing the voluntary organisations which work on their behalf.

We seek to achieve this by:

- Providing a range of practical resources to our members including training, events and a high quality information service which includes e-mail news bulletins, policy briefings and our quarterly magazine Outlook.
- Promoting good practice including bringing members together to support each other and take collective action.
- Stimulating policy debate on the issues which matter most to our members.
- Lobbying and influencing central and regional government, local authorities and decision makers on the issues that matter most to our members, using the knowledge and experience of our members.

Children England is in a unique position to influence and make a difference. Our members include the largest children's charities in the country through to small local groups working with children, young people and families. Our role is to work alongside our members and partners to achieve our collective vision of a society where children and young people are able to achieve their potential and where families and communities are supported and properly resourced.

We believe that the voluntary sector has a vital role to play in achieving this vision, both in the delivery of child-centred services and in the advocacy and campaigning required to highlight need, challenge discrimination and change public perceptions.

Children England's strength is in using the collective voice of the children, young people and families voluntary sector to achieve positive change for children. Work with us to help make a difference. To find out more about the benefits of joining Children England visit [www.childrenengland.org.uk](http://www.childrenengland.org.uk)