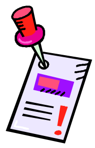
women's resource centre

INTRODUCTION TO SUSTAINABLE FUNDING



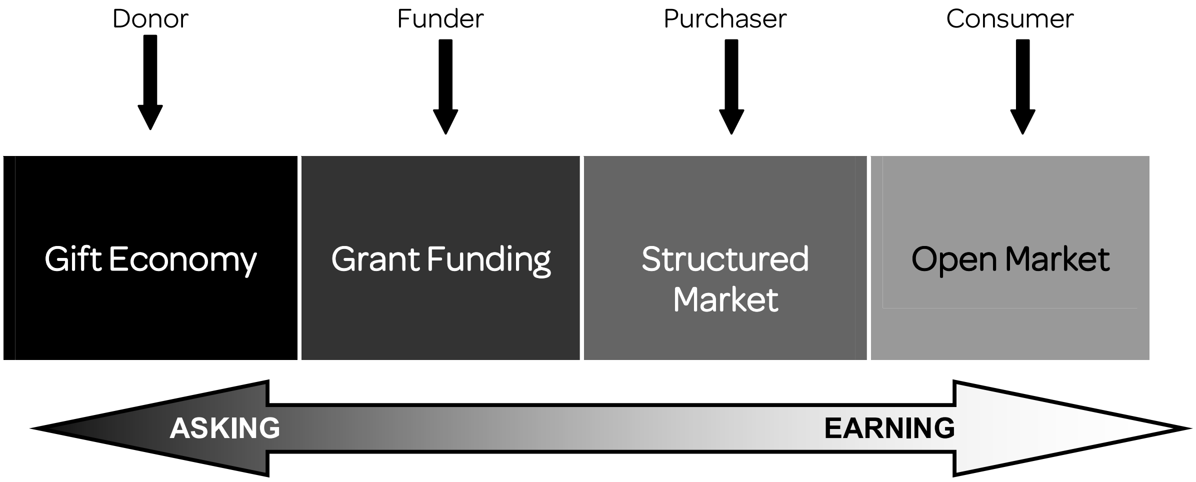
KEY MESSAGES

What is sustainable funding?

- Sustainable funding isn't about locating one ever-lasting source of income. It is ***an approach*** that explores funding in the round.
- This approach begins with strategic planning and takes account of opportunities for diversification across the range of income sources available to the voluntary and community sector. Sustainable funding is about exploring all the available options.
- Sustainable funding also involves thinking about what is the most appropriate way to fund your organisation. This is because the funding an organisation needs comes down to what it does, who its users are, and what stage it's reached in its developmental lifecycle. It's about using the appropriate income stream(s) to drive development at the appropriate time.

What income streams are available for VCOs?

The income spectrum illustrates the range of income streams available to voluntary and community organisations (VCOs) and the relationships with the different individuals or organisations providing the funds.



As you move across the spectrum from left to right – from asking to earning – the level of expectation regarding what is received in return for the income increases.

- In the **gift economy** – donations, individual giving, corporate support – funds are given with the expectation that they will be used towards the organisation's main aim.
- Next comes **grant funding** and the specific outputs expected in return for such funding – for example, quarterly reporting or outcome assessment.
- Further to the right we reach the world of **service level agreements** and the **structured market of full-blown contracts**. At this point we are not asking for charity but trading services – typically to deliver public services contracted by public sector bodies, but potentially also to private and other voluntary sector organisations.
- Moving to the far right we emerge in the **open market** – earning independent income by trading goods and pursuing other social enterprise activity.

Organisations need to be aware of the skills that will be needed to access the different funding sources. But even before you start thinking about money you must ensure correct planning processes are in place: **everything begins with planning**.

Within the range of options there is enormous variety and possibility. Sustainable funding can involve all these income sources, or a more limited range – diversification *across* the range, or if that is not possible or appropriate, *within* a particular source of funding.

Not all organisations will be able to generate income from every income source and every organisation is unique. Nevertheless, many organisations have untapped potential for developing new income streams and for moving away from complete reliance on charitable donations and time-limited grants.

The key to sustainability is knowing which funding sources are the right ones for your organisation to explore and how you can develop the capacity to secure and manage them.

Stable organisations are those which diversify as broadly as possible across the income range, ensure funding bids and income development is under-pinned by the practice of **full-cost recovery** and engage in sound financial management.

Sustainable organisations approach funding opportunities on a pro-active and systematic basis, and are open to new income sources, options and ideas. In order to be able to deliver contracts or develop a trading arm organisations will probably have to develop new skills and buy in some new resources. **Loan finance** can be a way to do this.

How can I summarise that?

To be sustainable, funding needs to be:

- **Stable** – it's important to have a mixture of income sources so that if one diminishes it doesn't threaten your organisation's viability overall. Also, being able to predict with confidence your future resource levels enables longer-term planning.

- **Suitable** – there are a wide range of funding and finance options which are appropriate for different situations. Understanding what each can offer, and ensuring there is a good match between your objectives and the type of funding or financing you are seeking, is essential.

- **Sufficient** – there never seems to be enough money, but understanding your costs properly allows you to make informed decisions about accepting contracts or undertaking project work. This is critical for effective planning and growth.

Also keep an eye on the long term. It is worth having a sense of potential changes to funding sources, and knowledge about emerging new ones, because this can help you with strategic planning.

KEY TERMS

Sustainable funding – see above.

Short-term project funding – the staple of the Voluntary and Community Sector (VCS). Namely the one to three year grant which is typically ring-fenced for a particular project (which has to be developed, delivered and evaluated all within the funding period), often pays only for specific project-related costs and not overheads, and which has to be spent within the funding period or else may be reclaimed by the funder. Such funding methods are often responsible for short-term thinking and the 'trapped in a cycle' hamster wheel, or tail-chasing effect experienced by some organisations.

Planning cycle – ongoing tool used by organisations to monitor work flow, manage resources, carry out evaluation, map out strategic development etc.

Income streams:
- Gift economy – donations from individuals and companies.
- Grant funding – trusts and foundations and public bodies.
- Service level agreement – lays out the services an organisation agrees to provide in exchange for funding. This is often made with a public body.
- Contract – a legal document laying out the services an organisation will provide in exchange for payment. Typically for delivering a public service.
- Open market trading – earning independent income by selling goods or services.

Social investment market – loan finance from providers with a double bottom line of social benefit as well as financial return.

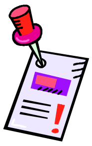
Full cost recovery (FCR) – All organisations, public, private and voluntary, incur organisational overhead costs in addition to direct project costs. FCR means accounting for your organisation's expenditure on the basis of incorporating all costs incurred by the organisation to run a service. This will include –

- Core (or overhead) costs such as organisational rent, utility bills for organisation, salary for core staff like director and finance manager
- Project specific costs

It is essential to ensure that:

- Funding bids accurately cover all potential costs
- Contracts are negotiated for the full cost of delivering a service
- Pricing for products and services developed to generate trading income fully reflect the cost to your organisation of producing or providing those goods

INTRODUCTION TO PLANNING



KEY MESSAGES

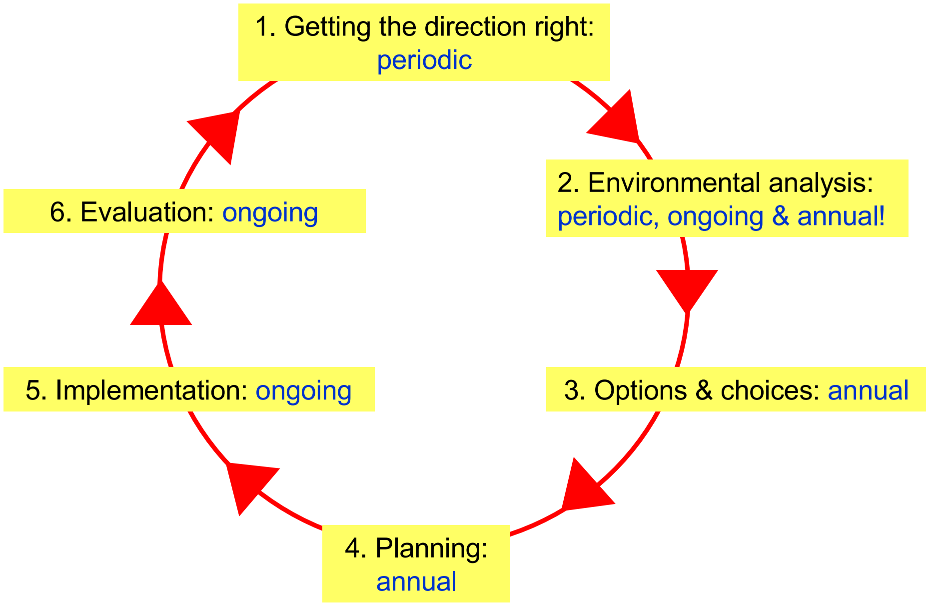
Why plan?

Sustainability begins not with funding, but with planning – before organisations start thinking about money, they need to decide exactly what their mission, aims and goals are and plan how they will achieve these. Only once organisations know what they want to achieve, and have planned accordingly, are they in a position to assess which income sources are appropriate for them and begin to pursue them.

- All organisations need to plan no matter what their size
- Planning highlights opportunities as well as challenges
- Planning allows organisations to approach income generation strategically, and enables them to meet the needs of their service users more effectively
- Strategic planning is a key way to ensure the organisation remains effective

How should organisations approach planning?

A useful way to approach planning is to implement a 'planning cycle'. Below is the planning cycle outlined in *Tools for tomorrow – A practical guide to strategic planning for voluntary organisations.* This divides the planning process into six key stages enabling organisations to take planning one step at a time:



Tools for tomorrow – A practical guide to strategic planning for voluntary organisations is a comprehensive and easy-to-use toolkit - developed through collaboration between the Centre for Charity Effectiveness at Cass Business School,

City University and NCVO's Third Sector Foresight project. The toolkit is available from NCVO's publications team, email: publicationsorders@ncvo-vol.org.uk or telephone 0845 458 9911.

Stage 1 - getting the direction right

The first step in the process is to make sure that the direction in which the organisation is moving is the right one and meets the needs of the stakeholders, including service users and clients who are at the heart of every voluntary and community organisation.

This is achieved by:
- Referring to the organisation's mission statement and its original vision,
- Ensuring that their values are still relevant and championed throughout the organisation, and
- If not, consulting all stakeholders to revise and refresh.

When revising or establishing an organisation's mission, all the relevant stakeholders should be consulted, both internally and externally. Everyone who works in the organisation - including the volunteers - and the service users and beneficiaries need to be consulted with to see where they think the organisation currently sits, where it is going, and most importantly of all, where it *should* be heading.

Re-assessing the direction of the organisation should be carried out once every five years or so, unless the environment in which the organisation operates in is changing rapidly, in which case this exercise may have to be carried out more frequently.

Avoiding mission drift is crucial to keeping organisations on track and in touch with their service users.

Stage 2 - environmental analysis

No organisation can ignore the environment in which it operates. It is important early on in the planning process to assess the challenges and opportunities that an organisation is likely to face, as well as how fit the organisation is to carry out its work in such an environment.

This is achieved by:

- Looking at the organisation both internally and externally, taking in both the current state of affairs and the likely future,
- Using this assessment of what is going on - now and in the foreseeable future, both inside and outside - to underpin future decision-making.

The external environment includes:

- The Government and its emerging policies
- Economic trends
- New government legislation
- Society and demographics
- Clients/beneficiaries and their needs
- Other market players
- Purchasers
- Suppliers

There are many potential internal elements that might hinder an organisation. Things such as:

- Cultural changes within the organisation that might need to take place in order to take the organisation forward
- Training requirements of staff and beneficiaries that need to be addressed to implement the plan
- Insufficient resources

Being aware of your internal and external environment is the first step in dealing with it.

Stage 3 - options and choice

You will emerge from the analysis of your internal and external environment with a range of ideas about potential future activities and options; and a list of things you could and should be doing. These options need to be explored so that an informed decision can be made about the actions needed to achieve the desired future.

This is achieved by:

- Assessing the pros and cons of the various options available,
- Making decisions on which of the options best fits with your goals,
- Assessing the practicalities of what is achievable.

Options aren't just about choice, they are also about priority, feasibility and risk assessment.

Stage 4 - planning

This stage marks the half-way point in the planning journey, and therefore, is the ideal time for staff and trustees to take stock, review all the information generated, sort it and get down to the basics of mapping out plans for the next steps in detail.

This is when pen should be put to paper –turning options and choices about the future into reality, and creating the framework in which the organisation will carry out its work.

This is achieved by:

- Developing goals and targets,
- Capturing the strategy in some kind of written document,
- Thinking about the resources required to deliver the plan.

One way of approaching the documentation stage is by writing a 'business plan'. Below are some suggested headings:

- An overview of the proposed scheme
- Why the scheme is needed
- Why your organisation?
- Scheme description
- Scheme outcomes
- Staffing and management structure
- Budget
- Funding and marketing plan

A full understanding of an organisation's cost base is fundamental to its long-term sustainability. Undertaking full cost analysis is therefore crucial to it being able to serve its beneficiaries in the long-term. Cash flows and budgets also need to be considered at this stage and should be an accurate reflection of what it will cost an organisation to deliver a particular service or product.

Plans should not be weighty tomes that are complicated and burdened down with graphs and figures, and thus understood by only those who wrote them. Plans should be easy to use and contain information that is both proportionate and relevant to the options chosen by the organisation.

Stage 5 - implementation

Once decisions have been made about the future direction and once the actions needed to achieve the desired future have been identified, these decisions and actions (often expressed as goals, targets and outcomes) need to be built into the everyday life of the organisation; i.e. embedded in the systems and processes of the organisation.

This is achieved by:

- Identifying desired outcomes and how these will be assessed
- Applying for appropriate funding
- Recruiting or training staff and allocating resources

It is at this implementation stage that organisations finally start thinking about funding.

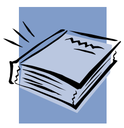
Stage 6 - evaluation

Once the strategic plan is firmly embedded throughout the organisation, it is time to take stock and evaluate what works well, and just as importantly, what doesn't work as well.

This is achieved by:

- Outcome assessment – stakeholder questionnaires, focus groups, feedback.

The evaluation stage is the ideal time to identify what the next issues are for the next round of the strategic planning cycle. Once this has been established, you are then ready to embark upon the journey of strategic planning once again.



KEY TERMS

Planning / planning cycle - This should be placed firmly at the heart of all organisations. It should be approached as a 'journey' and not as a final destination; strategic planning is an on-going process, and as such should be regarded as a cycle with key stages along the route that will enable organisations to map out the direction they are going and identify the key challenges and opportunities along the way.

Stakeholders – All individuals, organisations etc involved or associated with your work and upon whom it may impact. Stakeholders typically include: funders; staff; volunteers; trustees and most importantly the service users or beneficiaries.

Full cost recovery (FCR)- All organisations, public, private and voluntary, incur organisational overhead costs in addition to direct project costs. FCR means accounting for an organisation's expenditure on the basis of incorporating all costs incurred by the organisation. This will include –

- Core (or overhead) costs such as organisational rent, utility bills for organisation, salary for core staff like director and finance manager
- Project specific costs

It is essential to ensure that:

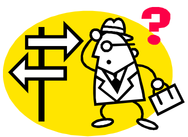
- Funding bids accurately cover all potential costs
- Contracts are negotiated for the full cost of delivering a service
- Pricing for products and services developed to generate trading income fully reflect the cost to your organisation of producing or providing those goods

Essential for ensuring funding bids accurately cover all potential costs, contracts are negotiated for the full cost of delivering a service, and pricing for products and services developed to generate trading income fully reflect the cost to the organisation of producing or providing those goods.

Outcomes - These are the results of your work. They are often changes, such as in attitude or health, but they can also involve keeping things the same, or preventing a certain event taking place, such as preventing children taking up smoking.

Outcome funding - Funders, such as the Big Lottery Fund, are increasingly seeking more meaningful returns for their funding – funding for outcomes not outputs, i.e. not just counting the 'bums on seats', but more about long term impacts such as confidence building and developing self-esteem. As a result, the requirement for funded organisations to measure their outcomes and impact is ever more pressing.

Outcome assessment - Outcome assessment is a way of thinking and a process enabling organisations to understand the impact that their work is having on their beneficiaries. As such the process, if it is to be effective, needs to be fully integrated into product design and delivery - not bolted on as an afterthought, as an end of project evaluation or funder requirement.



SIGNPOSTING

Publications

NCVO and the Centre for Charity Effectiveness (2004) *Tools for Tomorrow – A Practical Guide to Strategic Planning for Voluntary Organisations*. London. NCVO.

Wilding et al (2006) *UK Voluntary Sector Almanac*. London. NCVO

Web links and other guides

NCVO's Third Sector Foresight Project aims to help voluntary organisations to plan effectively for the future, with a particular emphasis on providing information about trends affecting the voluntary and community sector. For more information go to their website at: www.ncvo-vol.org.uk/foresight

The project's annual publication, *The Voluntary Sector Strategic Analysis*, is a useful tool for future planning and decision-making.

All publications are available from NCVO's publications team, email publicationsorders@ncvo-org.uk or telephone 0845 458 9911.

INTRODUCTION TO VOLUNTARY INCOME FROM INDIVIDUALS

KEY MESSAGES

Why individuals?
Out of £31 billion that comes into the voluntary sector every year approximately 37% comes from individual donations (Source: The UK Civil Society Almanac 2008). This may come in the form of:

- Money one off
- Regular donation
- Membership/subscription
- Major gift
- Legacy

In 2008/09 54% of the adults in the UK gave to charity in a typical month. They gave on average £31 in a month (Source: UK Giving 2009: An overview of charitable giving in the UK, 2008/09 CAF).

This guide is based on the process you would go through to secure a major gift however many of the principals are transferable to developing small regular donations. This guide does not talk about cash donations from individuals.

This guide defines a major gift as something that will:

- Make a significant Impact on the Organisation
- Vary from organisation to organisation i.e. every organisation will define what they consider a major gift differently. For some £100 is a Major Gift for others £5000 is the starting category for a Major Gift
- Be significant to the Donor
- Be a cash gift or a gift in kind

For smaller organisations it is less likely that you are going to secure hundreds of thousands of pounds from a donor as you don't have the capacity, structures or resources to secure or manage those kinds of gifts. You are more likely to secure smaller gifts such as a few hundred to a few thousand pounds. However one of the main reason to go down the route of major donors would be to identify women within the community who have influence and contacts who could organise community fundraising events on your behalf, champion your work amongst their rich friends and give you access to more influential circles.

There are 8 general steps to developing donations from Individual Donors. We will concentrate on the first 5.

- **Identify**
- **Research**
- **Donor Motivation**
- **Plan**
- **Engagement**
- Ask
- Thank
- Stewardship

STEP 1: IDENTIFY

Identifying possible donors

Many of your potential donors will be amongst your organisations existing networks. You just need to tease them out.

When identifying potential donors you should explore contacts of:

- Staff
- Board/Leadership/Trustees
- Members & Patrons
- Other Major Donors & Funders
- Research & Targeting
- Suppliers
- Volunteers
- Database (participants of Events; Legacy; DM, Corporate Contacts etc.)

You can use a treasure map to try and map out your potential donors:

If you have an existing database it is well worth screening it to see whether you have any rich potential donors on it. There are two ways to do this;

1) Do this yourself by going through your database one by one and checking names and addresses against expensive post codes and lists like the Sunday Times Rich List
2) Pay a data screening company to compare your database against their own database of rich or well connected people (company directors, trustees of grant giving bodies, shareholders, etc.) and pull out the rich ones. They can also check and update invalid names & addresses, phone numbers, etc. and select people by specific criteria (age, location, etc.)

As well as collating information about the people you already know, you will probably want to start collecting information about people or groups of people you hear about that might be interested in your cause but with whom you have no contact at present.

STEP 2: RESEARCH

Capturing the right information

Once you have identified potential donors, you want to gather as much information about them as possible. The depth of research you do on each individual will depend on what type of donor you consider them to be. E.g. if they were a potential Major Donor you would want to do a lot of research on them.

Information you are collecting on potential Major Donors would include:

- General Information
- Career Information
- Business Networks
- Charitable Connections
- Social Networks
- Interests connected to your cause
- Potential to give

Recording information

You should be keeping records of all of those people you identify on your treasure map and anyone else who has had contact with your organisations. For example - past supporters, enquirers asking for more info, visitors, participants in fundraising events or on demo's, people signing petitions.

Information you want to be collecting on your database:

- Their name
- Their address
- Their email
- Their telephone number
- Giving history
- Contact history
- When current membership or standing order for regular payment ends

Would also be good to have:

- Age
- Employment/employer/job title
- Ethnicity
- Gender
- Communication preference
- Events attended
- Appeals responded to
- Interests
- Relationships with people in organisation, other supporters etc
- How they like to get involved
- Family
- How they know about you
- Comments

You can purchase database software for this such as DonorBase or you can develop your own system using FileMaker or Excel.
There is also free open source software. For example: Drupal is a fundraising database which works with a Customer Relationship Management system CiviCRM.

STEP 3 – DONOR MOTIVATIONS

Donors give for a lot of different reasons. To be effective in getting money from individuals you need to work out what is it that motivates each prospective donor so you know how to approach, communicate and engage with them.

There are 4 main factors which drive donor motivation.

1) Social Recognition
2) Mutual Benefit
3) Affinity
4) Philanthropy

STEP 4 – PLANNING

At this stage you need to prioritise who you are going to spend time on first. Especially as fundraising from individuals will most likely, at least at the beginning, be on top of all the other work you do.

STEP 5 – ENGAGEMENT

In order to make potential donors feel inspired it is important to engage them with your organisations. For those donors who are already giving you need to make sure that you are able to hold on to them by keeping them happy and feeling that they are appreciated and cared for. This can be done through different ways of engagement and is referred to in the industry as Retention.

Types of engagement and follow up can include:

- Thank you events
- Information events
- Cultivation events e.g. project visits

- Dinners
- Personal visits to their home, place of work
- Personal Notes
- Phone Calls

STEP 6 – ASK

The ASK can be scary but it gets easier with practice. The most important thing is to decide who is the most appropriate person to make the ASK. Peer to Peer asking is often the most effective but not always. It depends on who has the best relationship with them because ultimately people give to people.

STEP 7 – THANK

Make sure your thank you is appropriate, consistent with other 'thank you's' you have given and timely.

Different donors will require different types of thanks.

STEP 8 - STEWARDSHIP

Organisations successful with Major Donors have a recognition and stewardship programme where they take care of each Major Donor individually in the most appropriate way for them.

INTRODUCTION TO TRADING

KEY MESSAGES

What is trading and social enterprise?

'Trading' when undertaken by voluntary and community organisations, is often referred to as 'social enterprise'. Both describe the approach taken by organisations wishing to pursue social objectives through selling goods and services, and where surpluses are principally reinvested for that social purpose. The two terms can be, and often are, used interchangeably. We use the term 'trading' to cover both terms.

Some organisations who have adopted a trading and social enterprise approach like to be known as a 'Social Enterprise'. It is a matter of organisational choice since Social Enterprise is not a recognised legal form (unlike a Community Interest Company or Company Limited by Guarantee), but an organisational type.

Why trade?

Trading is simply another form of income diversification. Some organisations choose to generate substantial income from trading, while others trade only a little, simply to gain additional funds and diversify their income base.

Trading has many benefits:

- Traded income is unrestricted income;
- Independent income can have a beneficial effect on organisational confidence and self-esteem;
- Trading builds new and refreshes old skills, such as creative marketing and rigorous financial management;
- Trading can help us reconnect with our beneficiaries – it helps us become more market sensitive;
- Trading often affords opportunities to involve service users in service delivery;
- Charging encourages people to value your work – and to turn up when you've made lots of effort organising an event!

How should organisations approach trading?

Trading goods and services, is all about merging what your organisation does (its mission) with ways of generating income (the money!). It comes down to four questions:

1. What do you have to sell?

What do we have? Think laterally. Assets can come in visible and invisible forms. Nearly all voluntary and community organisations have assets which are either visible (property or equipment and resources) or invisible (highly developed skills, local knowledge and intellectual property) that could, to varying degrees, generate income. Take a hard look at what you've got – and ask if it could be traded.

2. Who might buy it?

Trading and social enterprise is not necessarily about charging users – although in some cases nominal fees, or membership dues can be an option. In some cases your potential market may be a third party. For example, a telephone advice line might not be able to charge users, but it may be able to sell its services as a telephone agency (e.g. booking line or helpdesk) for a third party. Similarly, a counselling service for pupils couldn't charge users, but it might contract its services to a school or local education authority.

3. Why do you want to trade?

It's important to be clear from the outset why you want to trade. It helps to think about the three Ps – Profit, Product and Process.

Profit - Are you going to build an income generator simply to make money to help finance non-earning activities taking place within our organisation? For example, selling charity Christmas cards.

Product - Or are you going to build a trading element into a new or existing core service to cover their costs. In which case your income generator will in itself directly advance mission. For example, delivering core services under contract to a statutory authority – the product is the purpose.

Process – Or is it the way of working that's important. For example, creating employment for disadvantaged people. It's not what is being made that is necessarily important. Nor is the business created purely to make money to subsidise other social work. Though the business may aspire to become self-financing, the reason for setting it up is the process of creating employment.

Many income generators combine these approaches. The important thing is to be clear why you are developing an income generator - simply to make money, or to advance mission directly through self-financing?

4. How are you going to sell it?

Different organisations take different approaches to income generation. Broadly speaking organisations choose to trade goods related to their mission (including contracting and social firms), or goods which are sold simply to generate profit (unrelated trading).

These are each outlined in the key terms section below.

How can organisations get started?

The first point of call for any registered charity considering trading activity should be the Charity Commission website - www.charity-commission.gov.uk. In particular the Commission's publication **CC35, Trustees, trading and tax – How charities may lawfully trade**. This looks at how much a charity can earn before it should consider setting up a trading arm, outlines the issues associated with setting up a trading subsidiary, including Value Added Tax and governance, and many other legal and structural issues associated with trading. Even if your organisation is not registered as a charity the publication is useful reading.

KEY TERMS

Hunt for hidden assets – creative and lateral thinking about an organisation's core skills and attributes with a view to generating ideas for earning income from trading goods and services.

Mission-related trading - Mission, or 'core' related trading is selling goods or services directly related to an organisation's primary objectives. It is possibly the most commonly overlooked source of earned income. Yet it flows naturally from what an organisation already does, using the skills and knowledge that sustain the organisation into potential sources of income.

Such trading can take the form of mission-related selling which generates surplus income or which generates income in addition to furthering the organisation's aims; cost recovery where no surplus is made; contracting; or social firms. These variations are explained below.

An example of mission related trading which advances mission directly as a self-financing project is Cambridge based charity, Speaking Up! The organisation develops self-advocacy opportunities for adults with learning difficulties. To generate income they sell training and consultancy services to other social care providers on developing similar self-advocacy projects. This revenue stream grown from core competencies makes money to subsidise non-earning activity within the organisation but it equally advances core mission because Speaking Up!'s trainers are adults with learning difficulties.

But Mission Related Trading may also be used purely as an income generator. For example, an organisation that works with young offenders has collaborated with a large accountancy firm. The accountancy firm undertakes value-for-money audits of local youth justice services and draws upon the national voluntary organisation's expertise in the field. In this instance, mission related trading is undertaken purely to make money: there is no mission benefit derived from trading other than that profits help finance non-earning aspects of the centre's work.

Both examples are forms of Mission Related Trading in that they are developed from existing core competencies. Often Mission Related Trading will involve the sale of an organisation's know how and expertise – its intellectual property.

Contracting - Contracting involves generating income by providing goods or services outlined in a contractual agreement between your organisation and a service purchaser. This may also be called a service level agreement. It is particularly suitable for organisations involved in some form of service delivery work such as health, social care, education or similar provision where services could conceivably be purchased by a local authority or other public sector agency.

Social firms - For some organisations, the 'route in' to social enterprise arises from the nature of what they do. Organisations whose aims is to create real jobs and training opportunities for people marginalized from the labour market, or who seek to deliver high-quality, affordable services beyond the inclination of the free market and the ability of state intervention often function as social firms. One example is The Big Issue which provides work and training opportunities for the homeless and uses trading to pay for itself by selling advertising space. Another example is Six Mary's Place, a hotel in Edinburgh which generates income the same as any hotel, but which employs people with disabilities thus offering them development through viable work and training.

Unrelated trading - In practice some organisations find it more difficult to combine what they do with generating income. For example, a helpline for bullied school children might find it harder to use their core work to generate income, whilst a community arts theatre might easily be able to think about ways in which it can sell acting courses, old posters, or art work displayed in the foyer.

In such instances organisations might consider unrelated trading. In other words, selling goods and services which may have little relation with the organisation's core aims, but which will generate profit which can be used to subsidise their core work. Well know examples include charity shops and charity Christmas cards. In practice the types can overlap and merge into one another. It's also the case that different approaches favour different types of organisation.

Income generation is no magic answer. But we all have more than we think – assets of both the tangible (equipment, property) and intangible (skills, information) sort that can be turned into a products sold to raise income. Indeed, United States pioneer Jerr Boschee claims that in twenty years of promoting income generation he has yet to meet a 'non-profit' that is void of income generating potential all together – it's just a matter of being creative!

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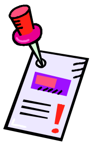
INTRODUCTION TO PUBLIC SERVICE DELIVERY



KEY MESSAGES

Why undertake contracts for public service delivery?

Public service delivery is one of the options available to voluntary and community organisations (VCOs) who are looking to diversify their income base. The voluntary and community sector (VCS) has a long history of delivering public services, but in recent years government policy has seen this role expand and its vision is that the voluntary and community sector is at the heart of reforms to improve public services.

Benefits of Public service delivery:

- In some instances, it can be a way for the VCS to transform the quality of services offered to its beneficiaries
- The scale of the public sector is huge, allowing many opportunities
- The length of contracts tends to be longer than grant funded income
- Contracts can, and should, be negotiated, allowing VCOs more flexibility
- Contracts are legally binding *for both parties,* putting the purchaser and contractor on the same level
- Prompt payment and transparency are expected.

Organisations should ensure:

- That they have sufficient resources available to manage the accountability and reporting requirements of managing the contract
- That terms and conditions are favourable and these should be looked at closely by a legal professional and negotiated
- That the contract helps the organisation to meet its mission, is consistent with their terms and conditions and meets the needs of their beneficiaries
- That they know the purchasing organisation well, including its operating systems and there is a match between each others' mission.

What does the operating environment look like?

Although often spoke of as though it is a single entity, the public sector is not one homogenous body. It is a series of sub sectors and includes:

- Central government departments and agencies (e.g. Department for Education and Skills, Home Office, Learning and Skills Council, National Offender Management Scheme)
- The NHS and local Primary Care Trusts
- Local Authorities (including unitary, county, metropolitan, borough, district, city, and town and parish councils)
- The UK Police and Fire Services
- Universities and colleges.

There is no standard approach to public sector procurement. Each public body or agency will have developed its own internal rules and procedures. Because the public sector spends taxpayers' money, it is subject to controls on how it conducts its purchasing. Anything it buys must be of benefit to the public, and it must provide the best possible value for money. Purchasing also has to be done in a fair and open way. There are UK and European laws that define how things must be done and these processes can make it more difficult for smaller VCOs to get involved; but not impossible.

Types of agreement – Grants, SLA's and Contracts

In reaching agreements to provide services, VCOs encounter grants, service level agreements and contracts.

- Grants are subsidies for the operation of the VCO in meeting its purpose and objectives and are subject to the European State Aid regime and its regulation of competitive law.
- Service level agreements set standards and specify levels of service without any commitment to use the agreement.
- Contracts specify service requirements, and make clear what and how a service is to be delivered, and for what payment.

Public procurement is about establishing contracts between public sector organisations (PSOs) and, in this case, VCOs. The procurement rules and procedures lead the PSO into a contractual agreement for the purchase of services. The contract specifies the services and the basis for delivery and payment. The agreement will determine for the VCO how it will provide services that meet the PSO's specified needs.

How should organisations approach public service delivery?

Like trading, public service delivery is all about merging what your organisation does (its mission) with the right contract. Because a contract is a legally binding agreement, choosing the wrong one can have serious implications for your organisation. Bidding for a contract can be a lengthy and expensive process, so good research and planning are essential.

Firstly, organisations should know **what they have to sell**. This includes knowing the value of their service, any added value that they can offer and knowing exactly what their beneficiaries want.

Managing the contract process is very different to managing a grant funded programme and organisations must ensure that they have the **right skills and resources**. These include:

- Access to specialist services (e.g. legal and financial)
- An experienced contract manager

- Marketing
- Negotiating skills.

They then need to **find a buyer** for their services. VCOs wishing to generate income by selling their services under contract need some understanding of who the potential purchasers for their services might be, and how those purchasers go about finding and choosing providers.

Useful starting points for searching for information on purchasers include:

- Local partnerships, VCO committees and local strategic forums, especially those involving public sector representatives.
- Approaching a public sector organisation (PSO) directly.
- Internet searches to research and understand unfamiliar ideas and concepts.
- Individual PSO websites for further information on their procurement strategy.
- Contact the procurement department within the relevant agency you are interested in working with and obtain a copy of their written guidelines
- Local and national priority needs and service plans
- Inspection reports, which highlight key issues and failures in both public service and procurement practice. These can be used to inform service design.

Organisations should understand the drivers for public sector organisations and in this way they can add extra value and improve their chances of working with them. Key issues to be aware of include:

- **Value for money**- often means lowest price, as long as the contractor delivers the right quality and performance. But sometimes it can mean adding value by offering the PSO more than was asked for, even if this means the price is a little higher.
- **Affordability and sustainability**- PSOs are under pressure to become more efficient, which means making money go further. Services must also be sustainable, and VCOs must think about how they can give confidence about how they can develop a service over the whole life of the contract.
- **Efficiency**- the search for efficiency also means that many PSOs are joining together to purchase services.
- **Community benefits**- VCOs are well placed to help PSOs achieve their national, regional and local vision of improving quality of life for all. This is a key element of what VCOs may be best able to offer.

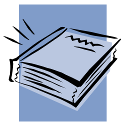
Organisations also need to understand the **procurement process** and what is required of them at each stage. A handout of a typical procurement process is included.

There is also a **regulatory framework** that VCOs should be aware of. This includes *Best Value* and *EU procurement rules*. Organisations should also be aware that each individual public sector organisation will have their own procurement rules.

How can organisations get started?

Charity Commission - The first point of call for any registered charity considering contracting should be the Charity Commission website. In particular, the Commission's *Policy Statement on Charities and Public Service Delivery* which can be found under the 'guidance for charities' section of their website. This sets out the key issues trustees need to take into account if their organisation is to take on a greater role in public service delivery. A copy of the statement is available from www.charity-commission.gov.uk

Another Charity Commission publication CC35, *Charities and Trading*, looks at legal and structural issues associated with trading and is also highly recommended.



KEY TERMS

Procurement is the whole process of buying goods and services, from initial advertising through to appropriate contracting arrangements.

Public sector procurement is the purchase of goods and services by a public sector organisation- e.g. a local authority or a PCT

Value for money is defined as the optimum combination of whole life costs and quality to meet the users' requirements. Government procurement policy requires all public procurement decisions to be based on this criteria

Commissioning is the process of assessing the needs of people in an area, considering how best and by whom those needs can be met, and then planning the provision of services

Contracting for voluntary and community organisations involves earning income from payment of goods and services delivered according to the terms set out in a contract between an organisation and a third party known as a purchaser

A **Contract** is a legally recognised, and hence legally enforceable, promise or set of promises made between parties. The essence of a contract is an agreement setting out the arrangements whereby one party provides a service (or goods) to the other in return for payment

A **Tender** is a written bid outlining a supplier's desire, capacity and plan of how to deliver a piece of work, service or supplies. Exact contents will be determined by the requirements outlined in the service specification and must demonstrate how a supplier will meet these requirements

Tendering is the process of bidding for, and negotiating a contract

Best Value is a formal requirement for local authorities. It aims to ensure that public services are responsive, efficient, of high quality and tailored to local need. It demands a shift from considerations of cheapest price towards an evaluation of 'value for money' based on a balance of price *and* quality. It requires a duty of continuous improvement in services and increasing emphasis on delivering outcomes that will improve community well being, without prescription of how this can be achieved.