

## Tendering for Public Services



# CONTENTS

Foreword	01
<b>Tendering for Public Services</b>	02
The changing landscape of public service delivery	03
Civil society – its nature and importance in the new agenda	04
What is commissioning and why is it important?	06
The funding and procurement approaches of public authorities	10
Ensuring that you are contract and tender ready	14
Deciding whether to bid	16
Assessing and managing risks	23
Having an exit strategy	25
A closing thought	26
<b>Appendices</b>	
A – Sources of further information and support	27
B – Glossary of terms	30

# FOREWORD

This guide has been designed to provide information, advice and signposting for charity trustees about commissioning and tendering for public services. It is targeted, in particular, at the trustees of smaller charities and those who are new to public service delivery using competitive tendering processes. The term ‘charity trustees’ refers to those who serve on the governing body of a charity and are responsible for the general strategic direction, control and management of the administration of the organisation. They may be known locally as trustees, or as directors, board members, governors or committee members.

The guide focuses on a number of key matters relevant to trustees, rather than providing detail on the often complex relationship between charities and public services (the Charity Commission document CC37 covers this ground extremely well – see *Appendix A for details*). Similarly, it is not designed to be a detailed technical manual on ‘how to tender’, although useful documents in this respect are signposted. The focus is squarely on the key issues that individuals need to be aware of in fulfilling their duties as charity trustees. As such, the guide should serve more as a direction marker rather than a road map.

At a time of significant change within the public sector, the guide aims to:

- Provide some context about the commissioning of public services so that trustees can understand the potential implications and impact of commissioning at a strategic level on their charity.
- Describe and explain the difference between applying for grant funding and competitive tendering to deliver services under a contract, the implications for charities, and why it is important for trustees to understand the difference.

- Outline the issues to consider and the decisions that trustees have to make regarding bidding for service contracts.
- Describe the steps that trustees need to take to make sure their organisation is ‘tender and contract ready’.
- Draw attention to key areas for risk assessment and risk management.
- Signpost to other useful publications, resources and sources of information and advice.

Throughout the document you will encounter a number of features designed to help you think about commissioning and tendering. These features are represented by the symbols shown below:



**Guidance** – this is used to indicate research, quotations, explanations and definitions that you may find helpful.



**Challenges** – these are questions or queries raised in the text which ask you to reflect on your role or approach – in essence, they are designed to be thought-provokers.



**Hints and tips** – these represent a selection of good practices which you may find useful.



**Useful links** – these are signposts to sources of further information and support, outside of the guide, which may help with principles, processes, methods and approaches. A full list of useful additional information and support is also set out in Appendix A, with a separate glossary of terms in Appendix B.





## Civil society – its nature and importance in the new agenda

Organisations have been divided traditionally on the basis of 'private' or 'public', and 'for-profit' or 'not-for-profit'. Those organisations which are established on a not-for-profit basis, and which are not part of the public sector, have often been referred to as voluntary and community sector (VCS) groups or third sector organisations (TSOs).

Most recently, there has been a blurring of these definitions with the current Government focusing more on the role and potential of what it calls civil society. While loosely defined, civil society organisations are seen as:

- Non-governmental, i.e. not being within the direct control of central or local government, but sometimes accessing or receiving public sector funding for their day to day operations.
- Value-driven, i.e. primarily motivated by the desire to further social, environmental and/or cultural objectives rather than to just make a profit.
- Principally able to reinvest any surpluses made to further these objectives.

On this basis, civil society can include a wide range of organisations: small local voluntary and community groups; registered charities both large and small; foundations; trusts; and a growing number of social enterprises, mutuals and co-operatives.

More emphasis and support is being given to the increased involvement of these organisations as key partners in a 'mixed economy' of public service provision, alongside public authorities and private companies. And in the context of commissioning, the civil society organisations that public authorities are most concerned with are voluntary and community organisations with charitable status that have a focus on service delivery or a role in speaking up for local people (often known as 'advocacy').



### Some statistics on civil society

*Although there is no single, reliable dataset that shows the scale and extent of civil society organisations nationally, the statistics that are available suggest that their role within the UK economy is significant:*

Overall the sector receives around £12.8bn from the state – a small percentage of public spending but a sizeable proportion of the sector's overall £35.5bn income.

Of this income, £6.6 billion (52%) comes from local authorities, £5.3 billion (41%) from central government and the NHS, and £0.9 billion (7%) from European and international sources.

*Civil Society Almanac*, National Council for Voluntary Organisations (NCVO), 2010

14% (23,000) of voluntary, community and social enterprise (VCSE) organisations regard statutory funding as their most important source of income.

The organisations most likely to report public funding as their most important source of income are those working with socially excluded/vulnerable people (33%), people with mental health needs (31%), victims of crime and their families (26%), people with learning difficulties (26%), offenders and ex-offenders (24%), and homeless people (22%).

Analysis of data from the *National Survey of Charities and Social Enterprises* (NSCSE), Third Sector Research Centre (TSRC), 2010





## What is commissioning and why is it important?

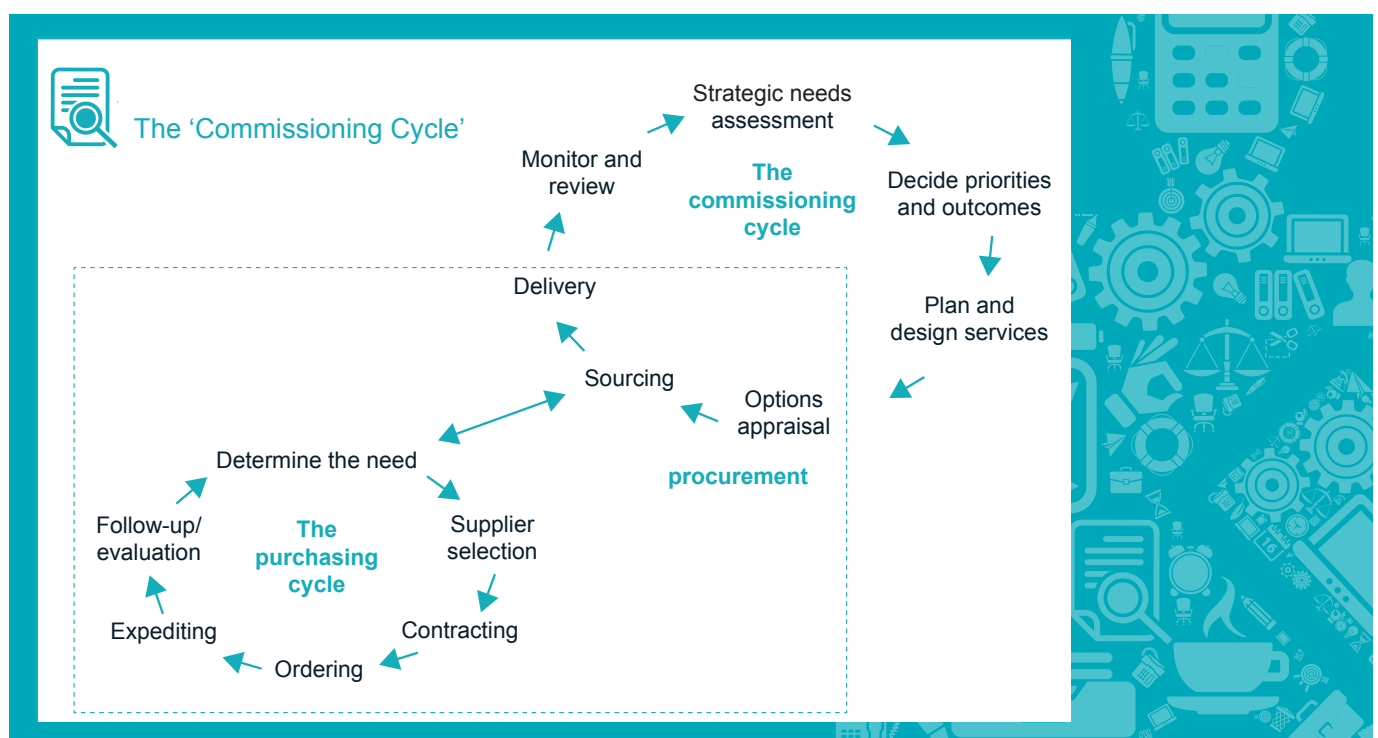
As a charity trustee you do not need to be an expert on commissioning practice. However, it is important that you understand the key elements involved and the thinking behind the greater involvement of charities, as civil society organisations, within commissioning.

In the public sector, the process of 'commissioning' is often confused with the term 'procurement'. And while the two are intrinsically linked, they are distinctly different, as we shall see. *Commissioning* is essentially a strategic process through which a public authority decides what services it wants to see delivered to meet some identified outcomes, having carried out an assessment of local needs – what the Office of Civil Society defines as, '*the cycle of assessing the needs of people in an area, designing and then achieving appropriate outcomes*'.

This commissioning process will include the following elements:

- A strategic needs assessment.
- Decisions on priorities and anticipated outcomes.
- The planning and overall design of services.
- An options appraisal.
- The sourcing or purchasing of services.
- The delivery of services.
- A system of monitoring and review.

In contrast, *procurement* is one of the ways of acquiring what is being commissioned and usually includes a process of contracting to secure the delivery of a specified service. As such, procurement starts with the commissioning cycle's 'options appraisal' phase which decides – among other choices – the most appropriate funding approach (*covered later*). This is illustrated in the diagram below, which also shows that the process of procurement is wider than the purchasing cycle for a specified service.





Strategic commissioning will often result in the production of a 'commissioning strategy' which sets out for all interested parties (commissioners, providers, advocates and local people) what is expected for the area. By commissioning in this way, public authorities are able to specify what they want to achieve by way of priorities and outcomes, leaving the procurement process to determine how services will deliver against this.

The case for increasing the involvement of civil society is based on the view that it has some distinct advantages to offer within the commissioning process. For example, charities can be:

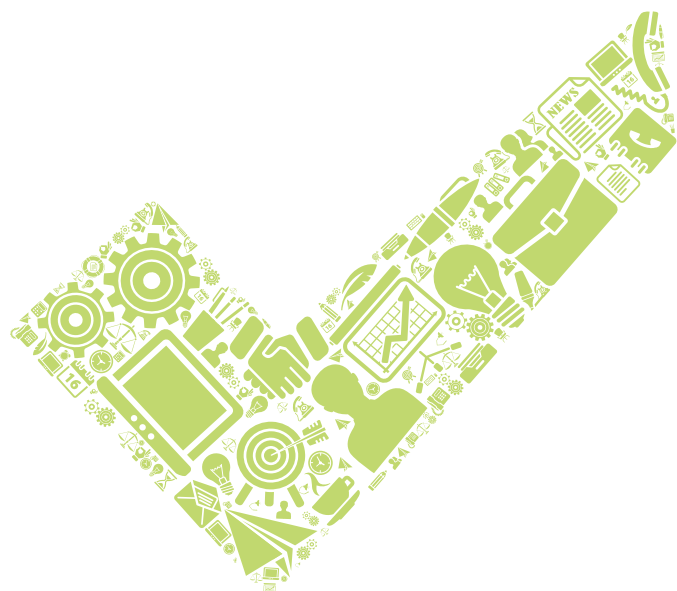
- Locally sensitive and able to respond flexibly to the diverse needs of local communities and minority groups.
- Financially competitive, as their base costs are comparatively low and they plough any surpluses made back into the services provided.
- Particularly innovative and imaginative and motivated to continuously evolve to better suit the individual needs of service users and carers.
- Able to contribute added value through access to wider community resources when providing additional preventative and ancillary services.
- Well placed to help to independently represent the views of users and carers as appropriate.

We have already highlighted that the Government wishes to develop the role of civil society in shaping and delivering public services. It recognises that a more diverse marketplace of providers is likely to offer greater competition and be more responsive in meeting local community needs and delivering better public outcomes (in other words, providing better *value for money*).



“ The Government has set out an ambitious agenda to build a Big Society – a society in which power is transferred from Whitehall to local communities to enable individuals, families, groups and communities to take control and drive real change in local areas. The voluntary, community and social enterprise sector sits at the heart of these ambitions, galvanising social action, supporting people to take more control within their area, providing personalised public services, and frequently creating efficiencies... ”

Office for Civil Society, 2010



The *Decentralisation and Localism Bill*, published in December 2010, provided further impetus to the need for public authorities to overhaul their commissioning arrangements. It outlines six areas where there is likely to be a radical shift of power from the state to local communities:

- Lifting the burden of bureaucracy.
- Empowering communities to do things their way.
- Increasing local control of public finances.
- Diversifying the supply of public services.
- Opening up government to public scrutiny.
- Strengthening accountability to local people.

A significant proportion of the commissioning you are likely to encounter may involve a range of statutory bodies. Under the Government's new policy direction, public authorities are being encouraged to work collaboratively in designing, commissioning and managing public services to meet recognised community needs. This is often referred to as 'joint commissioning'.

Joint funding is an essential component of most joint commissioning approaches, enabling partner agencies to pool resources in targeting and shaping services to meet identified local needs (often known as 'total place' or 'place-based' service delivery). With greater flexibility in creating joint funding arrangements, joint commissioning is likely to become a mainstay of the public services landscape. If successful, it should help to reduce contracting overheads, generate economies of scale and bring greater efficiencies in the procurement of services.

In overall terms, the approach to joint commissioning should follow the same cycle of activities that were outlined earlier. The partner agencies should shape services that are focused around the needs of the user and the whole commissioning approach should be informed by early consultation with a wide variety of providers and advocates, including those from civil society organisations. Joint commissioning also requires a formal agreement to be drawn up which commits funding and resources towards agreed and shared outcomes. This agreement can provide scope for innovative service design, integration between services, close partnership working and opportunities for redirecting resources into new or niche services – all good news for charities.

As part of the joint commissioning approach, the partner agencies will sometimes identify a 'lead commissioner' to act as the 'host' in commissioning services on behalf of all those in the partnership, e.g. one agency managing both NHS and local authority budgets to achieve a jointly agreed set of aims.

Of course, how all of this translates into action on the ground in your local area remains to be seen, although it is clear that many public authorities will have to radically overhaul their existing commissioning practices to address the new agenda.

The former Office of the Third Sector produced a useful set of 'Eight Principles', which were designed to improve commissioning in general and the involvement of civil society organisations in particular (see *overleaf*).

These principles can be used as a checklist by charity trustees in ensuring that their public authorities do introduce good commissioning practices in the years to come.

The changes which result from the new commissioning arrangements could have a major impact on your charity if public sector funding forms a significant part of your income.

In particular, there is likely to be a decrease in the amount of grant funding given out by public authorities and greater reliance, instead, on competitive tendering approaches (*covered in the next section*).

The reality is that with the focus on more open competition, and with contracts being awarded on a 'winner takes all' basis, some charities will be gaining funding at the expense of others. This may threaten the financial sustainability of some that are unable to compete and win tenders.



### The 'Eight Principles' of good commissioning

- Understand the needs of users and other communities – ensure that there is some engagement with civil society organisations as advocates, to access their specialist knowledge.
- Consult potential provider organisations when setting priorities – include those from civil society well in advance of commissioning new services, working with them to set priority outcomes for services.
- Put outcomes for users at the heart of the strategic commissioning process.
- Map the fullest practical range of providers – with a view to understanding the contribution they could make in delivering outcomes.
- Consider investing in the capacity of the provider base – particularly those working with 'hard to reach' groups.
- Ensure that contracting processes are transparent and fair – facilitating the involvement of the broadest range of suppliers and including sub-contracting and consortia-building, wherever possible.
- Consider long-term contracts and appropriate risk sharing as ways of achieving efficiency and effectiveness.
- Seek feedback from service users, communities and providers in order to review the effectiveness of the commissioning process in meeting local needs.

## The funding and procurement approaches of public authorities

It is not the intention of this guide to provide detailed information on the mechanics of tendering for public service contracts. That said, some of the reports listed in Appendix A can provide you with effective route maps through such processes. But as a charity trustee, you do need to understand how procurement fits into the overall commissioning strategies of public authorities and the implications of the different approaches they can choose to adopt.

### Giving, investing and shopping

We have already said that procurement is a key element of the commissioning cycle. While this can be a complex technical area, there are essentially three ways of funding local services which are of interest to charities:

- **Grant funding** – a ‘giving’ approach where the commissioner provides general support or a contribution to the provider – the latter deciding on the best use of the gifted funds. Public authorities have been grant funding charities for many years, supporting the notion of a strong civil society that can grow and develop independently of government. However, it is now apparent that a significant proportion of grant funding is coming from commissioners that have a greater interest in the activities of charities rather than just the survival of the organisations themselves. Some commissioners attach service level agreements (SLAs) to their grants – binding agreements which can cover: the services to be delivered; performance, monitoring and reporting requirements; compliance matters, and arrangements for the termination of the agreement.

- **Investing or capacity building** – an ‘investment’ approach where the commissioner is seeking to develop a long-term outcome from the spending, such as a policy change or an improvement in the capacity of the organisation or sector to deliver what is required.
- **Shopping** – a procurement approach where the commissioner seeks a provider who can deliver a specified service under some form of contract. With this approach, the commissioner is concerned with the cost and quality of service delivery and may use a competitive tendering process involving a range of relevant organisations to secure the best supplier.

Public authorities are now placing more emphasis on ‘shopping’ approaches to procurement rather than the ‘giving’ mode of grant funding. In this context, charities will need to think about whether they wish to become as efficient and outcome-focused as the statutory bodies that fund them are required to be. But it will still be important for commissioners to maintain a mix of funding regimes. If ‘giving’ is withdrawn completely, some of the most disadvantaged communities and citizens, new initiatives and entrepreneurial solutions may be stifled or lost and, equally, without some ‘investment’ funding, civil society may not develop the required capacity to deliver excellent quality services and make a serious contribution to policy planning and implementation.



Look back at your charity's income over the previous financial year. What proportion has come as a result of the ‘giving’, ‘investing’ or ‘shopping’ approaches of public authorities? How susceptible are you to any changes in public sector procurement?

### The implications of competitive tendering

With public authority grant funds reducing in both size and number, it is inevitable that those charities which rely on statutory sector funding for some or all of their income will have to become more adept at responding to procurement processes based around competitive tendering and the award of contracts.

If your charity chooses to enter into a competitive tendering process, there are a number of important matters to recognise from the start. Firstly, a contract is a legally recognised – and legally enforceable – promise made between parties. It sets out the arrangements by which one party will provide a service (or goods) to another, in return for a payment. A contract is about getting paid for the outputs and/or outcomes that you commit to deliver. Given their legal implications, it is generally felt that public service contracts are inappropriate for unincorporated charities because of the high levels of risk that trustees would personally bear. Those that do wish to bid for contracts should consider adopting an incorporated structure in line with Charity Commission guidance (*see Appendix A*).

Contracts are subject to European Union (EU) and UK law and, in some cases, contracting may have tax implications, which means that you may have to charge VAT. Also, while grants are usually paid in advance, contract payments often are not. This may be an issue with your bank, depending on whether they allow an overdraft and, if so, how much they allow (and any charges for this). It also means taking on increased risk if something goes wrong and any debts are not honoured.

As a trustee it is vital that you consider carefully the implications of any competitive tendering process for your charity. Later sections of this guide set out some

of the key matters you should assess in determining whether your charity is ‘tender and contract ready’.

### Recognising the nature of competition

While good practice suggests that commissioning should be open, fair and transparent, many charities would argue that traditional public sector procurement practices have not provided a ‘level playing field’ for those competing against public and private sector organisations (*see below*).



### Competition challenges

Some research conducted in 2008 by the then Improvement and Development Agency (now Local Government Improvement and Development), suggested that many small and medium-sized charities felt unable to compete for public service contracts as the nature of the procurement processes used often prevented them from demonstrating their particular capabilities.

It was also clear that there was a significant variation in involvement by size of organisation – with some 69 per cent of larger charities delivering public services, compared to just 30 per cent of smaller ones.

Other observations on the nature of competition include:

- Many smaller charities are keen to act as advocates or to deliver some public services, while others are unwilling or unable to compete for contracts. Some see a potential conflict between their delivery and advocacy roles.
- The greater emphasis on contract funding rather than traditional grant giving has prompted fears about a loss of funding for some charities.
- Too many public service contracts are short-term, making it difficult for some charities to recruit, retain and develop staff, and to access capital.
- Contractual arrangements can place excessive risk on providers, causing some charities to reject the opportunities for delivering services.
- Commissioners sometimes set unrealistic prices and create an excessive burden of monitoring and evaluation, which diverts resources away from frontline service delivery.

As a charity trustee, your role may enable you to lobby and challenge public authorities to ensure that their commissioning strategies take account of some of the competition challenges faced by organisations like your own. But whatever influence you may have, it is almost certain that when it comes to tendering, your charity will face tough competition from a range of different organisations.



What access do you have to relevant commissioners – could you take steps to improve your contacts and influence?

### Understanding the stages of tendering

While the nature of any contracting process can vary according to the preferred approach of the public authority (see *overleaf*), most tendering exercises will usually involve either one or two distinct stages before the decision to award a contract:

- **A pre-qualification stage** – this is a shortlisting exercise for prospective contractors, usually undertaken using a pre-qualification questionnaire (PQQ). The PQQ will usually ask bidders to provide basic company information (e.g. on financial standing, contractual performance, existing customer base, legal standing, policies and procedures) and may contain questions relating to the organisation's capability (e.g. technical knowledge, experience, skills, quality standards and capacity).
- **An invitation to tender (ITT)** – each shortlisted provider is invited to submit a formal tender document in line with the format and timescale specified. The ITT will usually state what service the public authority wants delivered, the terms of the contract (timing and financial considerations), what supporting documentation is required and the deadline for consideration.

How a service is tendered will usually depend on its total monetary value. Public authorities must adhere to EU thresholds, although this only applies to public services that are procured through a contract, rather than grants, and then only if the budget exceeds a given threshold.

Although procurement regulations can seem onerous, it is important to remember that they are meant to ensure consistency in cross-state trading within the EU. The Finance Hub's report, *Procurement and Tendering: Processes and Regulation* can provide you with further guidance on EU procurement legislation (see *Appendix A*).





The four main ways that public authorities award contracts:

- *An open procedure*, where all organisations wishing to deliver a service can submit a tender.
- *A restricted procedure*, where only those organisations that have successfully made it through a pre-qualification stage can submit a tender. Restricted procedures are recommended by the Office of Government Commerce and are most commonly used on public service contracts.
- *A negotiated procedure*, where the public authority can negotiate the terms of the contract with one or more preferred suppliers.
- *A competitive dialogue procedure*, which is only used for complex contracts, and allows the public authority to consider different proposals for addressing the identified need as part of the competitive process. There are risks to bidders in engaging in such an approach, e.g. a charity may find that having shared its innovative proposals, the public authority decides to use those ideas and keep the service in-house. This process is only used in certain circumstances however.

## Ensuring that you are tender and contract ready

### The stewardship role of trustees

Trustees have a remit to act in the best interests of the charity and its stakeholders, particularly its beneficiaries. In essence, it is the trustees in the governing body that have responsibility for the overall direction and policy of the organisation (see *opposite*). Crucially, this will cover any competitive tendering opportunities that you choose to investigate and any contracts that you decide to bid for. Public authorities and other funding bodies will want you to demonstrate that you have good systems of accountability in place.

As a trustee you are potentially liable for debt incurred and breaches of the law. The exact nature and extent of the liability depends on various factors including whether your organisation is incorporated. You should, therefore, be well enough informed about the circumstances of any tendering arrangements to take account of both the opportunities and the risks. This will include ensuring that any new service that the charity takes on helps to deliver the organisation's mission and does not put the charity's financial standing or reputation at risk.

Often there is limited time available to complete tenders and some early groundwork should be undertaken by trustees in preparing the charity for any opportunities that do arise.

Being 'contract and tender ready' will require you to take time with your colleagues in considering some fundamental questions, e.g. have a focused discussion about what the organisation hopes to achieve in the future. Revisit your stated aims, mission or charitable objectives. Do these still reflect the work of the charity and what it aspires to achieve in the future? Speak to your beneficiaries. What do they want to see in the years ahead?



### Your stewardship duties

As a trustee, you have an overriding duty to act in the interests of the charity and its beneficiaries, e.g. you must be free of any restrictions which limit your ability to make decisions in the best interests of the organisation.

In practice, you have to make difficult choices about priorities which can inform decisions about funding and sustainability, e.g. you may feel there are short-term advantages to be gained by providing a service that does not cover its own costs. However, in the longer-term, the advantages may be outweighed by the impact on the level of the charity's reserves, its overall financial stability and its ability to carry out other work.

Two fundamental duties will govern how you approach any competitive tendering opportunities:

- *The duty of prudence* – you should ensure that the charity maintains its financial sustainability, avoids undue risks and uses its funds and assets reasonably, in accordance with its stated objects. This may mean seeking professional advice on matters where you do not have sufficient expertise, e.g. drafting tender documents or negotiating with procurers.
- *The duty of care* – you should give sufficient time, thought and energy to your duties, and make reasonable use of any skills and experience you may have.

The Charity Commission guides, *The Essential Trustee* (CC3) and *Statutory Duty of Care* (OG86 B6) can provide you with more detailed guidance in these areas.

After your discussions you may want to consider writing a policy which outlines the charity's position on pursuing contracts (both aligned with and outside of its stated mission), some pricing guidelines and the agreed lines of accountability and communication when entering into new contractual commitments.

This should include any circumstances in which trustees might delegate responsibility for signing tender submissions or contracts to employees. But remember,

trustees are legally responsible for all contracts to which an employee commits the charity, regardless of whether or not they have approved the arrangement or authorised the employee to enter into it. As such, you also need to consider what internal controls are needed to prevent individuals committing the charity to contracts without the knowledge of its trustees.

Other preparatory questions that you may like to consider are outlined below:



#### Being 'tender and contract ready' – some further questions to ask

Your charity	Do you know what your unique selling point (USP) is, who else is doing what and how your work fits into the local community?
	Are you able to explain succinctly who you are and what you do?
	If asked, would you be able to produce your constitution, annual accounts, business plan?
Policies	Do you have the necessary policies in order and to hand, including your: safeguarding policy; risk assessment and management policy; insurance, including public liability; health and safety policy?
Capacity	Do you have enough staff time and experience to allow you to effectively enter into all stages of a tendering process?
	Do you have the information and communications technology (ICT) in place to allow you to effectively monitor data gathered by your services?
	Do you have robust monitoring and evaluation systems in place?
Collaboration	Do you have any legal agreements with any partner organisations that you may wish to consider bidding with?
	If so, do your partners know the partnership's aims, responsibilities, procedures, financial position, surplus share, allocation of liability?
	How will you solve any problems that arise within the partnership?
Local priorities	Do you know how to link your services and outcomes to the local priorities of relevant commissioners?
	Are you linked into local civil society networks?
	Do you know where local strategic commissioning decisions are taken and how you can influence the process?
	Do you know how your work is perceived by the procurers who make buying decisions?

## Deciding whether to bid

Having ensured that your charity has the necessary policies, procedures and systems in place to be ready to tender for public services, you will also need to give consideration to the capacity and capabilities of the charity in delivering contracts as opportunities arise.

Organisations that wish to tender for public service contracts must understand the nature of the contractual commitment, and be sure that they can deliver the service to the required volume, timescale and standard, and report on contract delivery to commissioners. To do this, they must be legally aware, well managed and financially viable. They will also need to consider how to complete tender documentation to win contracts and whether some form of collaboration with other organisations can strengthen their chances of success.

This section deals with each of these matters in turn.

### Understanding your legal position

The most important first step you should take in deciding whether to bid for any services contract is to consider your legal ability to do so.

The governing document which underpins your charity's constitution should be worded to allow the organisation to tender for services. Most often, this wording will be included in the 'powers' section and will say something like "to enter into contracts".

The legal context of commissioning and tendering can be complex and challenging, so it is important that you have a basic level of understanding about what is possible and practical within the law. Having said that, you do not need to be an expert in this field and there are many sources of advice that can assist you. The



If your charity wishes to tender for public services but you do not have some specific wording in your governing document that enables you to enter into contracts, you will need to change or amend this and inform the Charity Commission.

The Charity Commission provides guidance on amending governing documents:

[www.charitycommission.gov.uk/Manage\\_your\\_charity/Change\\_Governing\\_Document\\_index.aspx](http://www.charitycommission.gov.uk/Manage_your_charity/Change_Governing_Document_index.aspx)

main areas of law that apply to commissioning and tendering are set out below, with some signposts to sources of further guidance:

- **Charity law** – this covers the rules relating to the setting up and operation of charities. The Charity Commission regulates charities and provides guidance in England and Wales – [www.charity-commission.gov.uk/](http://www.charity-commission.gov.uk/)
- **Company law** – this applies to incorporated charities. Companies House regulates companies in England and Wales – <http://www.companieshouse.gov.uk/>
- **Contract law** – contracts are legally binding agreements between two or more parties, with terms dictating the agreement. Breaches of contract can lead to claims for damages.

- **Equalities law** – the Equalities Act came into force in 2010. Public bodies must ensure that procurement and commissioning decisions do not run contrary to this legislation – [www.homeoffice.gov.uk/equalities/equality-act/](http://www.homeoffice.gov.uk/equalities/equality-act/)
- **Procurement law** – there is a huge amount of literature on legal matters relating to commissioning and procurement. The best starting point is NAVCA's guide, *Pathways Through the Maze* – [www.navca.org.uk/maze](http://www.navca.org.uk/maze)
- **Public law** – this provides a set of legal principles that govern the exercise of power by public bodies. Remedies under public law are the means by which public bodies can be held to account. They include judicial review, complaints procedures and ombudsmen schemes. Consultation, contract breaches and equalities issues can become public law cases – see the Public Law Project – [www.publiclawproject.org.uk/](http://www.publiclawproject.org.uk/)
- How would this service address the needs of the charity's stakeholders or beneficiaries?
- Have we fully assessed the likely risks of entering into a contract and taken all necessary steps to mitigate them (*a later section on page 23 covers this in more detail*)?
- Could we manage the regulatory framework required by the public authority and its performance reporting requirements?

### Developing effective management arrangements

It should be clear from an early stage of the tendering process whether your charity has all of the management arrangements in place to enable it to meet the requirements of the commissioning authority. Wherever possible, you should have early discussions with the commissioner and clarify what pre-qualification arrangements and tendering documentation is required, e.g. you should establish whether bidders need to have in place a recognised quality assurance scheme or quality mark, such as PQASSO or Investors in People accreditation. There may also be some specific documents or commonly asked-for information that can be assembled well in advance of any tendering deadline. The NAVCA *Beginners Guide to Commissioning* contains some useful guidance in this area (*see Appendix A*).

It is also worth remembering that you can contact your local support and development organisation if you are unsure about your charity's legal position in tendering for public services. You can find a national directory of these organisations at [www.navca.org.uk/membersdirectory](http://www.navca.org.uk/membersdirectory)

Having established that your charity has the legal ability to bid for a public service contract, you should also consider whether the opportunity is likely to contribute to the achievement of the organisation's strategic direction, i.e. its mission, vision, values and objectives. If you were able to complete some of the preparatory groundwork we referred to earlier, this may be a simple case of considering the opportunity in the context of your existing 'Contract Policy'. Key questions you may wish to ask could include:

Many of the documents signposted in Appendix A can provide you with detailed guidance on 'how to tender'. This includes an example tender decision support matrix in *Improved Bidding Practice* (*see Appendix A*). Beyond this, your role as a trustee will be in ensuring that the organisation has the appropriate governance and management arrangements in place to oversee both the tendering process and – if successful – the

delivery of a public services contract. Much of this will be about equipping and supporting staff to carry out the work necessary and may require you to review the recruitment, training and personal development policies of the organisation.

In essence, you need to ensure that your management and staffing structure is 'fit for purpose'. One way of doing this is to carry out a 'skills audit'. The Children England document, *Love Your Tender*, provides some essential guidance in this area (see *Appendix A*).

### Operating from a sound financial position

All public authorities will want to be sure that they are making a sound financial investment when they pay an organisation to deliver a public service. At a basic level, the tendering process will require you to produce documentary evidence of your charity's financial standing and future sustainability, e.g. published accounts. The commissioning body may also check the credit rating of bidders before awarding a contract.

It is in everyone's interest that your charity is able to operate from a sound financial position in bidding for and winning public service contracts – what the Charity Commission refers to as 'knowing your worth' (see *opposite*).

In tendering for any public service contract you should always aim to achieve at a minimum full cost recovery unless it is in the charity's interests to do otherwise.



### Knowing your worth

This is principally about:

- understanding the full cost of the charity's services;
- recognising the organisation's scope to deliver what is required and any limitations on its ability to operate on a sustainable basis;
- identifying any unique or distinctive qualities in the charity's approach or services, and;
- using these and other relevant information to set a price for those services.



### How does your charity attempt full cost recovery?

If you need more help in this area, a comprehensive guide and tool to help calculate full cost recovery can be found on the website of The Big Lottery Fund:

**[www.biglotteryfund.org.uk/full\\_cost\\_recovery](http://www.biglotteryfund.org.uk/full_cost_recovery)**



Charities are allowed to achieve a surplus on funding agreements and if your organisation is entering into, or renewing, a contract for public service delivery where the funding on offer will not cover the full cost of the service, you can:

- Negotiate for more funding.
- Offer a lower level of service commensurate with the funding on offer.
- Decide to use other funds to make up the shortfall.
- Reject the funding agreement and choose not to sign the contract.

Decisions regarding the costing of tender proposals must be based on the interests of the charity and the needs of its beneficiaries. Full cost recovery is about knowing and securing funding to cover the true cost of delivering the service. This means not just costs directly associated with delivering the service but the organisation's overheads, which should be shared among all of the charity's different projects and services. Overheads will include the overall management of the organisation or administration (often called 'core costs').

In some cases, public authorities will 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 procurer 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 that may, unexpectedly, go wrong – often this is calculated by charities to be about five per cent of the cost. This contingency can be an effective part of your approach to risk management (see page 23).

Knowing the real cost of delivering a service means that you can make an informed decision about whether you really want to put in a tender and the information can be used for negotiations further down the line.



### Handy hints

If a tender is for more than one year, remember to include inflation in all relevant costs, e.g. wages, fuel costs, consumables.

Try not to use round figures – this suggests that you have guessed rather than actually worked out your costs.

In bidding, it may be that your organisation has to be audited for the first time – if so, do not forget to include these costs as well.

Other tips can be found in the Finance Hub's *Tendering and Bidding Briefing*:

[www.financehub.org.uk/uploads/documents/Tendering\\_and\\_Bidding\\_Briefing\\_137.pdf](http://www.financehub.org.uk/uploads/documents/Tendering_and_Bidding_Briefing_137.pdf)

### Demonstrating your added value

An important aspect of winning any tender is to show how you have already worked successfully with the particular client group the public authority is targeting, or how other work you have done has given you the transferable expertise that will allow you to successfully deliver the service if you win the contract.

You will need to show how you can effectively meet the commissioner's outputs and outcomes.

- **Outputs** are the services that an organisation offers or provides.
- **Outcomes** are all of the changes that happen as a result of the services delivered – whether welcome or unwelcome, expected or unexpected.

In most cases, the outputs that are being requested should be found in the tender specification documents. The outcomes – what the public authority is hoping to achieve by a programme of work – may not be specifically mentioned. To get a better understanding of the wider aims and outcomes the commissioner is trying to achieve, you may wish to examine the authority's Commissioning Strategy or other strategic plans. By doing so, you may spot areas where you can demonstrate that your charity can add value in meeting local priorities (*see opposite for examples*).

In order to be transparent and accountable to any public authority, you should look to develop a robust body of evidence that demonstrates the impact of your charity's work. This will require you to establish and maintain systems for monitoring, evaluating and recording the outputs and outcomes of any services or projects – whether or not they were successful or achieved the outcomes intended. Having effective monitoring systems in place will enable you to demonstrate success when tendering.



### Added value

You can demonstrate added value by:

- Providing evidence of the 'social return' created from the commissioner's investment.
- Showing how you have built good collaborative relationships and demonstrating how joint working with other organisations can achieve better results.
- Demonstrating how you have built relationships over the long-term with key client groups, e.g. using survey results or satisfaction ratings.
- Providing evidence of how you have engaged with groups that are seen as 'hard to reach'.
- Emphasising your track record in encouraging and making best use of volunteers linked to the Big Society agenda.
- Illustrating how you have found ways of sustaining earlier projects with reduced or withdrawn public funding, e.g. by fundraising or improving value for money.
- Evidencing how you have provided tailored or targeted services which meet particular needs, e.g. holistic or personalised services or support which encourages self-help.
- Linking the added value you bring to the award criteria specified in the public authority's tender documents.

### Considering the scope for collaborating with others

When two or more organisations work together it is known as collaborative, partnership or joint working.

Collaboration comes in many forms – from informal networks and alliances or the joint delivery of projects, through to the full merger of organisations. It can also last for a fixed period of time or become a permanent arrangement.

In tendering for a particular public service contract, you may wish to explore the different ways that you could work together with other organisations for mutual benefit. In some cases this might provide some added value to your bid.

While there are definite advantages to any form of partnership working, there can be significant risks. It is also important to recognise that for any collaboration to be successful and effective, it is likely to require the investment of both time and resources. Strong collaborative relationships can take a long time to organise, so it is usually a good idea to allow sufficient time to build and sort out all of the details of the working arrangement before tendering for a specific contract.

A written partnership agreement is essential. This should spell out not just what the partnership aspires to do and the mechanisms it will use to do this, but also the steps that will be taken if the relationship breaks down and the parties involved decide to go their own separate ways. The agreement might usefully cover the:

- History, aims, objectives and purpose of the partnership.
- Key responsibilities and procedures to be followed by those involved.

- Financial arrangements underpinning the collaboration (e.g. shared or pooled funding, staffing or assets) and any profit sharing agreements.
- Governance, reporting and monitoring arrangements, including – where relevant – voting rights and decision-making processes.
- Arrangements for the allocation of liability.

In most tendering situations, it will also be important for one of the partner organisations to act as the official contracting party on behalf of the collaboration.

There are many different models of partnership and the suitability of each will depend upon the circumstances and expectations of the agencies involved. Seeking professional advice is a good first step, particularly when considering the legal implications of forming a partnership. For more general guidance you can contact your local support and development organisation or follow the link below:

**[www.ncvo-vol.org.uk/advice-support/collaborative-working](http://www.ncvo-vol.org.uk/advice-support/collaborative-working)**



### Consortia working – some guidance

The Charity Commission has produced a recent research report which focuses on the experiences of charities that deliver public services by joining forces and working together as a consortium. The report, *Consortia for the Delivery of Public Services: The Issue for Small and Medium-Sized Charities*, can be downloaded from the website:

**[www.charity-commission.gov.uk/](http://www.charity-commission.gov.uk/)**



## Assessing and managing risks

Risk is a part of everyday life. Charities cannot avoid risk altogether, and sometimes real innovation and change are only achieved through taking risks. Tendering for public services may present your organisation with opportunities to enter new markets, develop new forms of service delivery or generate

valuable income. However, public service delivery also presents risks: financial risks; the risk of compromising the charity's governance and independence; the danger of 'mission drift'; service delivery and contractual risks, and reputational risks.



### Some examples of risks that charities may face

Financial	<b>Under funding</b> – usually the result of not accurately identifying the full costs of a service or negotiating for them in funding agreements. Using reserves or other funds to make up the shortfall may affect longer-term sustainability.
	<b>Duration of funding</b> – short-term funding of a service can hinder a charity's long-term planning and divert staff time and resources in obtaining alternative income.
	<b>Late funding</b> – funding in arrears forces charities to meet costs up-front, which can cause potential cashflow problems.
	<b>Clawback</b> – some funding agreements require repayment of any surpluses.
	<b>Statutory obligations</b> – if staff transfer from the public sector to a charity, their terms and conditions may be preserved under TUPE regulations (see <i>Glossary</i> ). The charity may be liable for additional salary, pension or redundancy costs.
Governance	<b>Mission-related risk</b> – in order to obtain funding, there is a risk of charities undertaking activities or delivering services that are outside their objects or powers (this is commonly known as 'mission drift').
Service related	<b>Contractual risks</b> – there may be penalties for non-delivery or other breaches of a public service contract. It may also require the charity to take on other contractual risks such as leasing premises or equipment and employing staff. It may be difficult to terminate a contract if arrangements do not work out as expected. Contract terms may be complex or unreasonable.
Reputational	<b>Loss of independence</b> – taking on a public service may compromise a charity's role as an advocate or 'independent voice' within the community.
	<b>Poor service quality</b> – service users' frustrations may be directed towards the charity that delivers the service rather than the commissioning authority, particularly if the authority seeks to avoid responsibility for contracted out services; although there are reputational risks for both.

An early assessment of the likely risks should be undertaken well before any decision to tender. Trustees should play an active part in this process, weighing up both the identified risks and the likely opportunities of tendering. They should not commit to any course of action unless it is clear that the terms of any contract or funding agreement are in the charity's best interests. In most cases, they should seek professional advice on the legal and financial implications.

There are many formal models for assessing and managing risks. But whatever approach your charity adopts, it should be comprehensive in:

- **Identifying and assessing risks** – most organisations use some form of 'risk assessment matrix' with standard headings to do this. The headings may cover categories like 'financial risks' and 'service delivery risks', and the assessment will usually include some ranking or prioritisation of the identified risks, to single out those which are considered most critical and/or probable.
- **Mitigating any identified risks** – identifying steps that can be taken to avoid, negate or minimise the impact of a significant risk, e.g. putting in place quality assurance or control processes, reviewing the charity's insurance cover, allowing for contingency costs.
- **Allocating risk responsibility** – identifying who will take the primary responsibility for managing the steps necessary to mitigate or minimise the potential impact of any risks.

While trustees may not get involved in the day to day management of risk matters, it is essential that they play a key role in monitoring and reviewing progress.

This will usually include a periodic review of the 'risk assessment matrix' if the decision is taken to enter into a contractual arrangement. In this situation, the trustees should also ensure that the charity negotiates a funding agreement with the public authority that provides for a reasonable balance and sharing of risks between the two contracting parties. It is in no one's interests for the charity to carry an unfair burden of risk if this undermines the effectiveness and quality of the service and its value for money.

Another way of managing or reducing some of the financial, contractual and delivery risks faced by the charity is to get involved in the commissioning cycle wherever possible. By contributing their thoughts on the design and specification of services at an early stage, charities can sometimes positively influence the way that services are shaped to meet local needs.

Specific guidance set out on the Charity Commission's website can provide you with further information on risk management as it relates to charities:

**[www.charity-commission.gov.uk/publications/cc26](http://www.charity-commission.gov.uk/publications/cc26)**



## Having an exit strategy

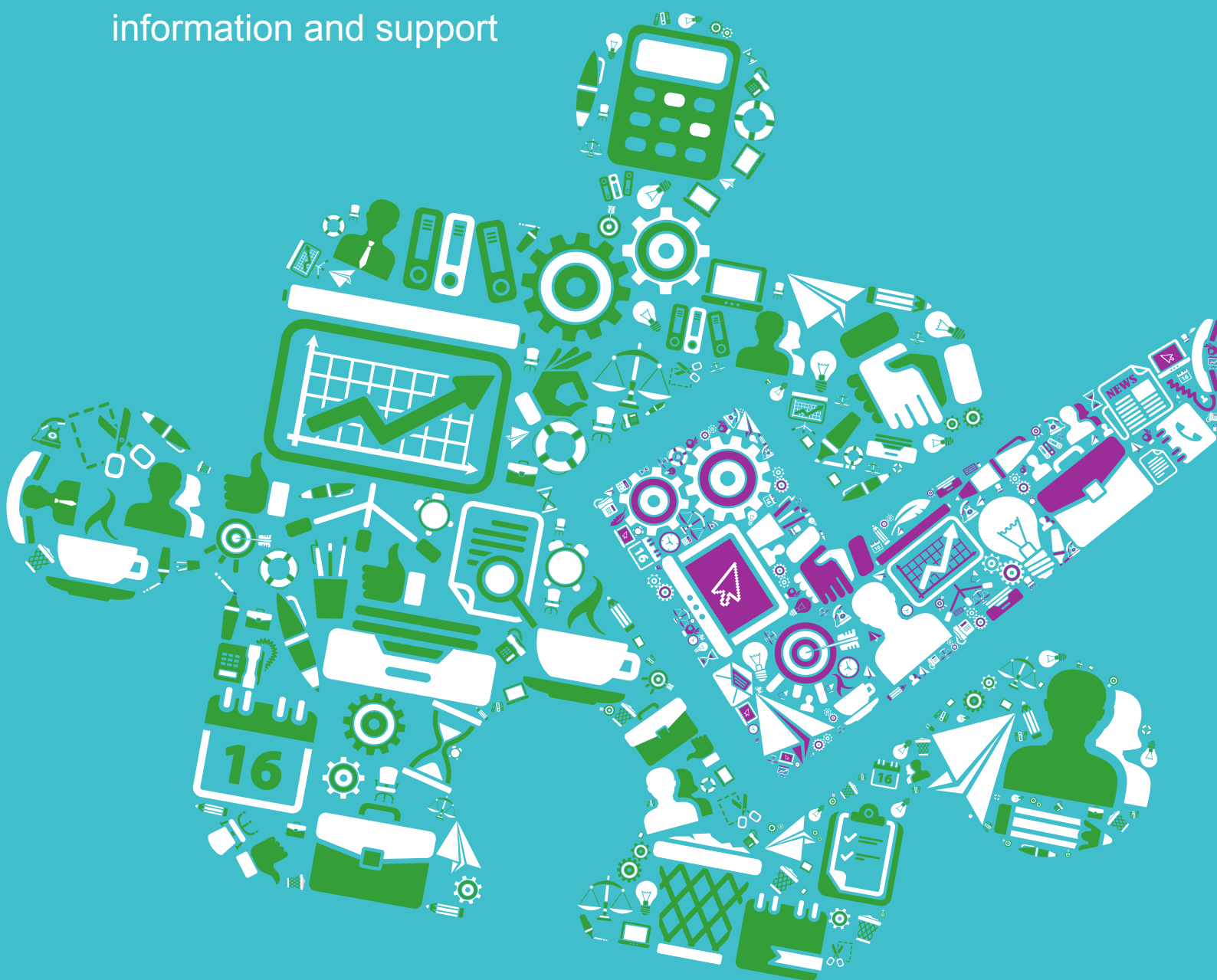
If you are planning to tender for a public service contract, it is important that you plan for the eventual end to the funding. You cannot count on being re-funded to run the same service in exactly the same way; you will need to consider what you will do at the end of the contract. Even if the work 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.

Alongside the public authority, your own stakeholders (services users, trustees and staff) will want to know what 'exit strategy' you have in place. In thinking this through, you will need to consider the following:

- How will we ensure the financial viability of the charity in the event of any decommissioning?
- What sources of alternative funding do we have access to, that could help to mitigate the loss of this contract?
- How will we ensure that service users have some continuity?
- What steps can we take from the outset in making sure that service users understand that a project or service may not exist forever?
- How will we manage the costs of closing a service, including any commitments associated with transferring staff through TUPE or paying redundancies?



## Sources of further information and support



## Publications

*A Beginner's Guide to Commissioning: A Guide for Development Workers Supporting Local Organisations With Commissioning*, NAVCA, 2011.

*A Guide to Success at Tenders: Tips and Pointers for Age Concerns*, Age Concern, 2008.

*Building a Stronger Civil Society: A Strategy for Voluntary and Community Groups, Charities and Social Enterprises*, Office for Civil Society, Cabinet Office, 2010.

*Charities and Public Service Delivery: An Introduction and Overview (CC37)*, Charity Commission, 2007.

*Commissioning and the Big Society: The Role of the Community Sector*, Kindle Partnership, 2011.

*Commissioning and the Community Sector: How Community Sector Organisations Can Be Ready for Commissioning*, Kindle Partnership, 2010.

*Consortia for the Delivery of Public Services: The Issue for Small and Medium-Sized Charities*, Charity Commission, 2011.

*Improved Bidding Practice*, Local Government Group and Acevo, 2011.

*Love Your Tender*, Children England, 2009.

*Modernising Commissioning: Increasing the Role of Charities, Social Enterprises, Mutuals and Cooperatives in Public Service Delivery*, Office for Civil Society, Cabinet Office, 2010.

*National Programme for Third Sector Commissioning: Eight Principles*, Cabinet Office (Office of the Third Sector)/IDeA, 2009.

*Open Public Services White Paper*, Cabinet Office, 2011.

*Pathways Through the Maze: A Guide to Procurement Law (2nd edition)*, NAVCA and NCVO, 2010.

*Procurement and Tendering: Processes and Regulation*, Finance Hub, 2007.

## Useful websites

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

The Association of Charitable Foundations (ACF) is a membership association for trusts and foundations in the UK with over 300 members, ranging in size from small and local grant-makers to some of the world's largest foundations. It provides a framework in which trusts and foundations can learn from each other's experience, explore matters of common concern and achieve good practice in grant-making.

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

Action with Communities in Rural England is the national umbrella body of the Rural Community Action Network (RCAN), which operates at national, regional and local level in support of rural communities across the country.

[www.cabinetoffice.gov.uk](http://www.cabinetoffice.gov.uk)

As part of the Cabinet Office, the Office for Civil Society holds responsibility for charities, social enterprises and voluntary organisations. The office is focused on three fundamental issues: making it easier to run a charity, social enterprise or voluntary organisation; getting more resources into the sector and strengthening its independence and resilience; making it easier for civil society organisations to work with the state.

---

[www.charity-commission.gov.uk](http://www.charity-commission.gov.uk)

Whatever their size or purpose, an essential requirement of all charities is that they operate for public benefit and independently of government or commercial interests. The Charity Commission registers and regulates charities in England and Wales, making sure that they meet their legal requirements and supporting them if things go wrong.

---

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

The Charity Law Association aims to enable those who advise on or use charity law to meet together, exchange ideas and intelligence and use their experience and expertise for the benefit of the charity sector.

---

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

Community Matters represents grassroots community organisations in the UK. Its programmes and services aim to support them and the people they serve, and to create conditions in which communities can thrive.

---

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

The Directory of Social Change is an independent source of information and support to the voluntary sector. It provides practical training courses, conferences and seminars and publishes reference guides, handbooks and journals.

[www.local.gov.uk](http://www.local.gov.uk)

The Local Government Group's website is a source of help and advice for anyone interested in local authorities.

---

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

Locality is a UK network for settlements, development trusts, social action centres and community enterprises.

---

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

The National Association for Voluntary and Community Action (NAVCA) is the national voice of local support and development organisations in England. It champions and strengthens voluntary and community action by supporting its members in their work with over 160,000 local charities and community groups.

---

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

The National Council for Voluntary Organisations (NCVO) is the umbrella body for the voluntary and community sector in England. It gives voice and support to civil society.

---

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

The Charity Trustees Network provides opportunities for trustees to share knowledge and experience with each other and gives trustees a voice to influence national policy.

## Glossary of terms





**Added value** is about demonstrating the benefits that are likely to arise from an organisation's particular way of doing things.

---

**Approved/preferred providers** are those prospective bidders who have already passed through some kind of short-listing process by demonstrating that they have the technical knowledge and experience, capability, capacity and organisational and financial standing to deliver a contract.

---

**Bid** is usually used in connection with an application for grant funding or the tendering of a contract. Successful bids result in the award of a grant or contract.

---

**Civil society organisations (CSOs)** refers to organisations outside of the public or private sectors. An alternative term is third sector organisations.

---

**Commissioning** describes the whole process of mapping, planning, delivery and evaluation of services for a local area.

---

**Commissioners** 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.

---

**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.

**Contract** is a legally recognised, legally enforceable promise made between parties which sets out the arrangements whereby one party provides a service (or goods) to the other in return for payment. Contracts are subject to EU and UK Law and, in some cases, contracting may have VAT implications.

---

**Contracting** is about one agency, such as a public authority, paying another agency to deliver a service to an exact specification as laid out and agreed in a contract.

---

**Contractor or provider** refers to the organisation providing the service in return for payment by entering into a binding agreement.

---

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

---

**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.

---

**Governing document** refers to a legal document setting out the charity's purposes and, usually, how it is to be administered. It may be a trust deed, constitution, memorandum and articles of association, will, conveyance, Royal Charter, Scheme of the Commission, or other formal document.

**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.

---

**ITT** is an 'invitation to tender', sometimes referred to as a 'call to tender'. This is sent to providers who have completed a 'pre-qualification questionnaire' (PQQ) and successfully passed the selection stage. The ITT starts the second stage of the award process. The ITT sets out the tender requirement, content, deadline and other elements of the tender specification.

---

**Mission** or **mission statement** is a term used by many charities to describe why they exist and what impact they want to have. A mission statement can: provide an explanation of the charity's objects/objectives or purpose in everyday language; help to communicate the charity's ethos and values; and provide a focus for strategic planning by defining the particular outcomes or goals that the charity wants to achieve. A charity's mission (or mission statement) must be consistent with and not wider than its objects.

---

**Objects** or **purposes**: The legal purpose(s) for which a charity exists, or the thing(s) it was set up to achieve, as set out in its governing document. The objects may be worded quite broadly and expressed in legal language. They direct (and consequently restrict) how the charity's assets must be used.

---

**PQQ** stands for 'pre-qualification questionnaire' and is a document which forms the basis of the first, or selection, phase of a tendering process. Failure to

submit a successful PQQ means that the organisation is excluded from the process and cannot proceed to the award stage.

---

**Procurement** refers to the purchase of services (or goods) by publicly funded bodies at the best possible price, in the right quantity and quality, at the right time and generally via a contract. Procurement is one part of the commissioning process.

---

**Procurer** is the **public service agency** that buys the service.

---

**Public authority** refers to any organisation that is part of national or local government, including: central government departments, arms-length government agencies, county, district and unitary councils, and NHS bodies. Such organisations are often referred to as 'commissioners', i.e. bodies that commission services.

---

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

**Service level agreement (SLA)** refers to the part of a contract that states what services are to be delivered. Procurers may enter into SLAs which are actually contracts although they do not set out full contractual terms, but instead detail the services to be delivered and basic information regarding the contractor.

---

**Social enterprise** is a business with primarily social objectives whose surpluses are reinvested for that purpose in the business or in the community, rather creating profit for shareholders and owners.

---

**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.

---

**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 deliver an existing service or to win a contract for a new service.

---

**Third sector organisations (TSOs)** refers to organisations outside of the public or private sectors. An alternative term is civil society organisations.

---

**Trustees** means **charity trustees**. These are the people who serve on a charity's governing body. They may be called trustees, directors, board members, governors, committee members or some other title. They are responsible for the general control and management of the administration of the charity.

**TUPE** stands for *Transfer of Undertakings (Protection of Employment) Regulations 1981*. The purpose of TUPE is to preserve continuity of employment and to safeguard the employment rights of all employees whose employment transfers to a new employer as a result of a relevant transfer from a public authority.

---

**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.

---

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

---

**USP** stands for 'unique selling point' or 'unique selling proposition' which is something that 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.



Tel 0114 278 6636  
Fax 0114 278 7004  
Textphone 0114 278 7025  
[navca@navca.org.uk](mailto:navca@navca.org.uk)

Local Government Group  
Local Government House  
Smith Square  
London SW1P 3HZ

Tel 020 7296 6880  
Fax 020 7296 6666  
ihelp@local.gov.uk