

# GRIDLOCK

Breaking through

the barriers to

commissioning services

from the

Small Charity Sector



# About the FSI

Since its inception in 2007, the FSI has grown to become the UK's largest provider of free capacity building services to the small charity sector. The FSI is a registered charity whose fundraising consists of raised voluntary and earned income.

The FSI was established by Emma Harrison CBE (founding Chairman) and Pauline Broomhead (founding CEO) to deliver strategic skills to small charities through a year-round programme of training and conference learning. The content of this learning programme now encompasses all the disciplines of fundraising, alongside key back office skills, to build sustainable charities ready to adapt to the demands of their beneficiaries and communities.

Today the FSI delivers close to £2.2m worth of free services to small charities right across the UK. In 2013, the FSI's programme encompasses:

- Training days delivered at the FSI's office in central London. These cover all the major methodologies of fundraising, key strategic areas, and back office functions such as marketing and communications.
- Roadshows across eight UK cities, where we present our training and support programme in centres outside London.
- Small Charity Week: This event is a major celebration of the small charity sector and its impact on every community in the UK.
- A conference programme comprising the FSI Forum (fundraising-focused) and the FSI Workshops (concentrating on back office skills that are key to sustainability).
- Advice clinics where small charity delegates have a one hour slot with a member of the FSI team to discuss organisational and project strategy or any aspect of their work where advice is needed.
- Fundraising events delivered by the FSI for small charities. The FSI manages each of these projects to ensure that charities can maximise their raised income without the monetary and time costs associated with the administration. The events include the Great

Big Small Charity Draw and the FSI 10k Challenge (held in Derbyshire).

- The FSI Small Charity Index, which delivers real time information about the state of the small charity sector.
- The Federation for Small Charities Council, elevating the issue of small charities and ensuring their voices are heard and acted upon across government and wider society.
- An Affiliates programme that provides small charities with a year of intensive development support to move that charity to the next level of its life stage.
- The FSI Scholars programme, which selects outstanding individuals from the sector and provides them with a professional development programme and support from the FSI team to emerge as an inspirational, informed leader within the small charity sector.
- Published research on topics affecting the small charity sector.

All of the above programmes are delivered free of charge to the small charity participants.

The FSI has a membership of over 2,000 small charities. Our regular communication with our members, their feedback and our research inform all of the activities at the FSI in advocating for, and supporting the small charity sector.

The FSI is committed to delivering events and campaigns that demonstrate the work and impact of the small charity sector to as broad an audience as possible, including policymakers and the media alongside the general public. To ensure that this work is representative of the sector, we undertake regular communication and surveys of small charities to gain insight into the issues and trends affecting their work or sustainability.

# GRIDLOCK: Breaking through the barriers to commissioning services from the Small Charity Sector

JONATHAN SAVAGE  
PAULINE BROOMHEAD  
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# Foreword

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This research is being published at a time of huge change for the small charity sector. We are seeing unprecedented reductions in Government spending at the local and national level as well as a worrying 20% drop in individual donations as reported by the Charities Aid Foundation in 2012. At the same time, sources of funding are changing significantly for the voluntary sector with evermore funding coming through contracts to deliver services rather than through traditional grant funding. Given these changes, how can we unlock the potential of the small charity sector?



Commissioning forms a central part of this new funding landscape, and as such it is one of the most pressing issues at the current time for the voluntary sector. Small charities\* constitute 97% of the sector and deliver a significant proportion of front line services to the most disadvantaged in our communities. They are the glue holding communities together and they cannot, must not, be isolated from delivering services as new commissioning structures take effect.

It is essential that we are able to learn from the difficulties faced by small charities today and to improve their experience in the future. We hope that the recommendations in this report will provide a starting point for both commissioners and small charities alike to look at how small charities can be effectively included in the new programme for Open Public Services.

We must learn the lessons from the Work Programme when, at best, small charities involved reported huge cuts in work they had been contracted to undertake or, at worst, were used by larger contractors as 'bid candy' in an attempt to boost their bid credentials. This experience has impacted dramatically on the small charity sector and we need to act before it is too late and the pattern repeats itself.

Small charities are the backbone of communities around the country: they provide front line support to individuals with complex needs, and are working to fill in the gaps of service provision where the public sector does not. The drive to reduce public spending cannot force these organisations to close their doors. Time is of the essence: with further reports suggesting that the demand for services is rising alongside reduced budgets, **the current situation is not sustainable.**

Pauline Broomhead, Founding CEO

A handwritten signature in purple ink that reads "Pauline".

\*The Foundation for Social Improvement works with small charities with an annual turnover of less than £1.5 million

# Executive Summary

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## **There is a weak relationship between small charities and commissioners**

- Only one in four charities were satisfied with the relationship with commissioners in their local authority and only one in three were satisfied with health and social care commissioners.

## **Small charities look for advice to improve the experience of bidding for contracts**

- Only one third of small charities were satisfied with the experience of bidding for contracts with their local authority.
- 80% of respondents felt that advice on how to effectively bid for contracts was the most important factor in improving the experience.

## **Small charities feel uninformed about the latest reforms to health and social care commissioning**

- Less than half of respondents felt 'fairly' or 'very' informed about the replacement of Primary Care Trusts with Clinical Commissioning Groups.
- Only 15% of respondents felt confident in their ability to successfully compete for contracts under the new structure of the Health and Social Care Act.

## **There is a lack of confidence in the ability of small charities to use the Localism Act 2011**

- One in three small charities were not confident about taking advantage of new areas of public procurement outlined in the Localism Act.
- Two thirds of respondents believed that organisational capacity and organisational finances were the most important factors in making a bid to deliver a service.

## **There are still major barriers to effective collaboration for small charities in commissioning**

- One in three charities indicated that they were dissatisfied with the experience of working in a consortium.
- Over half of respondents reported that their consortium found it 'fairly' or 'very' difficult to win a contract with a commissioning body.

# Introduction

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The public funding landscape is changing rapidly and small charities are being forced to re-think their position. The Coalition Government's Open Public Services agenda has advanced the drive towards contract based funding for the delivery of public services rather than traditional grant funding. Between 2000/01 and 2010/11 contract based funding saw a real term increase of £6.7bn (+151%). This is compared to a decline in grant funding of £2.5bn between 2003/04 and 2008/09 down to a value of £3bn in 2010/11 (*NCVO Civil Society Almanac 2013*). However, only around one quarter of respondents indicated that they felt they could continue bidding for - and carrying out - local authority contracts over the next 5 years. This report draws together the experiences of small charities in the procurement and commissioning process. If what we are seeing is a one way shift from grant funding toward funding on a contractual basis to deliver services, then it is essential that both the voluntary sector and public sector are able to work together in the most effective way possible. This will require changes on both sides.

So why is it essential to examine this problem from the perspective of small charities? Small charities constitute over 97% of the sector and provide front line services to communities up and down the country. At present, they are experiencing unparalleled demand for services as well as tight financial constraints as cuts to local authority budgets take hold. As the new funding landscape emerges, it is imperative that we take stock of the impact to date and look at how we can address the problems that have emerged. It is the intention of this report to look at the problems as well as solutions to the current funding climate. It is integral that small charities continue to provide front line services to those people that need them the most; but in order for this to happen both commissioners and voluntary sector organisations must work together to encourage inclusivity in public service commissioning.

## Aims & Objectives

- Identify the problems faced by small charities in the commissioning process.
- Analyse the relationship between small charities and commissioners.
- Identify strategies to improve the experience of competing to deliver services.
- Understand the implications of the localism agenda for small charities.
- Examine the barriers to effective consortium arrangements for small charities.

For the purposes of this research the definition of 'small charities' refers to charitable organisations with an annual turnover of less than £1.5 million. This definition is consistent with

the approach that the FSI uses to define its beneficiary group. By this definition, small charities comprise over 97% of the 162,177 charities in the UK (*NCVO Civil Society Almanac 2013*).

This survey makes reference to commissioning and procurement throughout. By commissioning we mean a cyclical process including some or all of: needs analysis; market development; procurement; delivery of service; and evaluation and review. Procurement forms part of the commissioning cycle, and is the process of contracting goods or services from providers or suppliers.

## Previous Research

There has been significant research published recently looking at reform to the commissioning process as well as bidding consortia. The present report develops existing studies by examining the issues from the perspective of small charities. *The NCVO Civil Society Almanac 2013* has identified that statutory sources of income constitute less of the overall income of small charities than their larger counterparts. Statutory income increases from 4% in organisations with a turnover of less than £10,000 to over 30% in organisations with a turnover up to £1 million. Further research by NCVO in a report entitled *Open Public Services: Experiences from the Voluntary Sector (2012)* brought together the views of 14 different organisations. The report provided a series of recommendations to ensure that the voluntary sector continues to play a role in public service delivery, including suggesting a mixture of grant and Payment by Results funding. Looking at the role of commissioners, the Institute for Government identified in 2012 that there was a shortfall in skills among public sector commissioners (*Commissioning for Success: How to Avoid the Pitfalls of Open Public Services, 2012*). However, these reports did not consider the situation from a small charity perspective.

In the Confederation of British Industry's report, *Open Access Delivering Quality and Value in our Public Services (2012)*, it was argued that the Open Public Services agenda should be accelerated. In a sample of public services equating to £24.5bn, they found that £2bn efficiency savings could be found from full market openness. However, the report by New Philanthropy Capital (NPC), *Charities' Experiences of Public Service Commissioning (2012)*, found that charities felt that the emergence of new funding mechanisms would reduce their financial sustainability. Considering the issue of consortia, in January 2013 the Independence Panel argued for the importance of protecting sub-contractors in 'consortia delivering public services' to enable the voluntary sector to operate effectively (*Independence Under Threat: The Voluntary Sector in 2013*). The report by NPC and Impetus, *Collaborating for Impact (2013)* examined the difficulties of voluntary sector collaboration with recommendations including: keeping the focus on beneficiaries, understanding financial implications, and understanding and demonstrating social impact. We will add to the existing research by examining how these areas impact on the small charity sector.

## Methodology

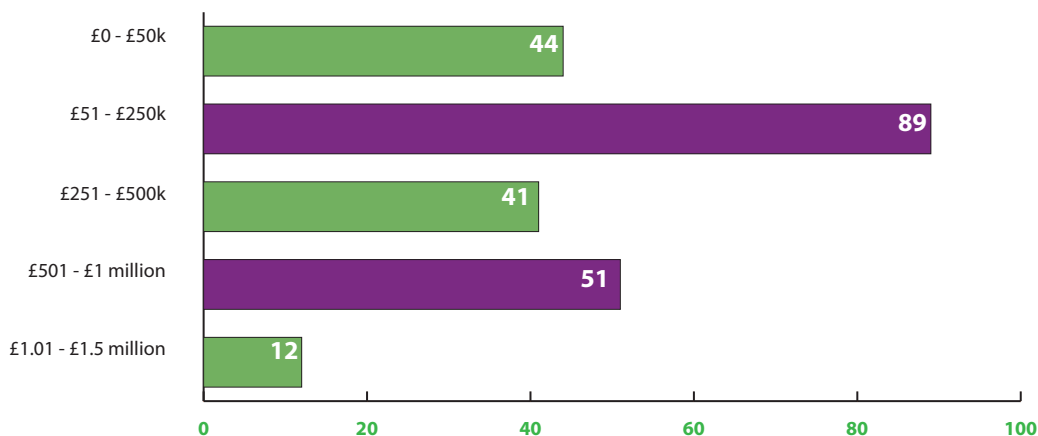
The research was conducted via an online survey which was disseminated through the FSI's member database of over 2,000 charities and via partner organisations. The survey was completed by 239 small charities. 24 organisations are represented more than once where employees from the same organisation completed the survey. All data in the survey refers to the base number of respondents.

The survey was open between October 2012 and April 2013 whilst many changes to the commissioning process took effect. As such, the survey refers to perceptions of rights in the Localism Act which came into effect in Autumn 2012. Reference is also made to Primary Care Trusts (PCTs) which have been replaced by Clinical Commissioning Groups (CCGs). Recommendations for the new healthcare commissioning environment have been built on respondents' experiences of PCTs.

As indicated below, the participating charities came from a wide range of backgrounds in terms of both turnover and cause type. Respondents were asked to identify whether the services they delivered fell under the remit of the local authority or former PCTs. Respondents were then directed down parallel routes. As the response rate for the latter area of commissioning was less than 50, results shown here are only indicative.

### Responding Charities by Annual Turnover

The following graph demonstrates the breakdown of the responding charities based on their annual turnover. Charities responded from across the FSI's nine core areas of work: Religion; Children and Young People; Emergency and International Development; Community, Welfare, Advice & Rights; Health; Environment and Animals; Art, Sport & Culture; Education and Employment; Grant Making & Third Sector Capacity Building.



Base: All individuals responding (n=237)



## Commissioners and Small Charities: Working in Partnership

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Understanding the quality of relationships between public sector bodies and the voluntary sector is essential in finding out how to improve the position of small charities within local commissioning. As commissioners are responsible for identifying the needs of the local community in each area of local government and health and social care service provision, they are the cornerstone for the involvement of the voluntary sector in the delivery of public services.

Looking at how well developed the relationships are between small charities and commissioners within local authorities, one quarter of respondents indicated that they were 'fairly' or 'very' satisfied with their relationship with commissioners. This is compared to one third of respondents who said that they were dissatisfied to some extent. By comparing this with relationships between small charities and commissioners in former PCTs, it is evident that satisfaction levels are higher in PCTs, with one third of respondents indicating that they were either 'fairly' or 'very' satisfied, and one fifth indicating a degree of dissatisfaction.

In the graph on page 7, respondents were asked to rate how important various factors were in shaping their relationship with commissioners. It is evident that a clear contact route to access commissioners is of high importance to small charities. It is therefore essential that accessibility takes a central role in any reform of service provision in order to allow small charities parity in the process.

According to our survey, the current level of openness of communication between commissioners and small charities still leaves room for improvement. At the point of examining community needs, fewer than half of the small charities indicated that there was an open communication channel with commissioners in their local authority. This compared with 34% of respondents who cited open communication with commissioners in their PCT. Needs analysis is a crucial stage in the commissioning process. Building stronger relationships between small charities and commissioners is essential

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### **Recommendation:**

A clear contact route to local commissioners must be established to facilitate a more open dialogue between the small charity sector and commissioners.

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*"At Association of Carers we currently have a very open dialogue between our charity and local commissioners. From speaking with the commissioner on a regular basis we have been able to openly discuss the demand for our services and how this is impacting on our beneficiaries. Since we have received funding we've been able to expand our services dramatically. As well as supporting more beneficiaries, this has opened us up to partnerships with other organisations as well."*

Sara Young  
Association of Carers

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### **Recommendation:**

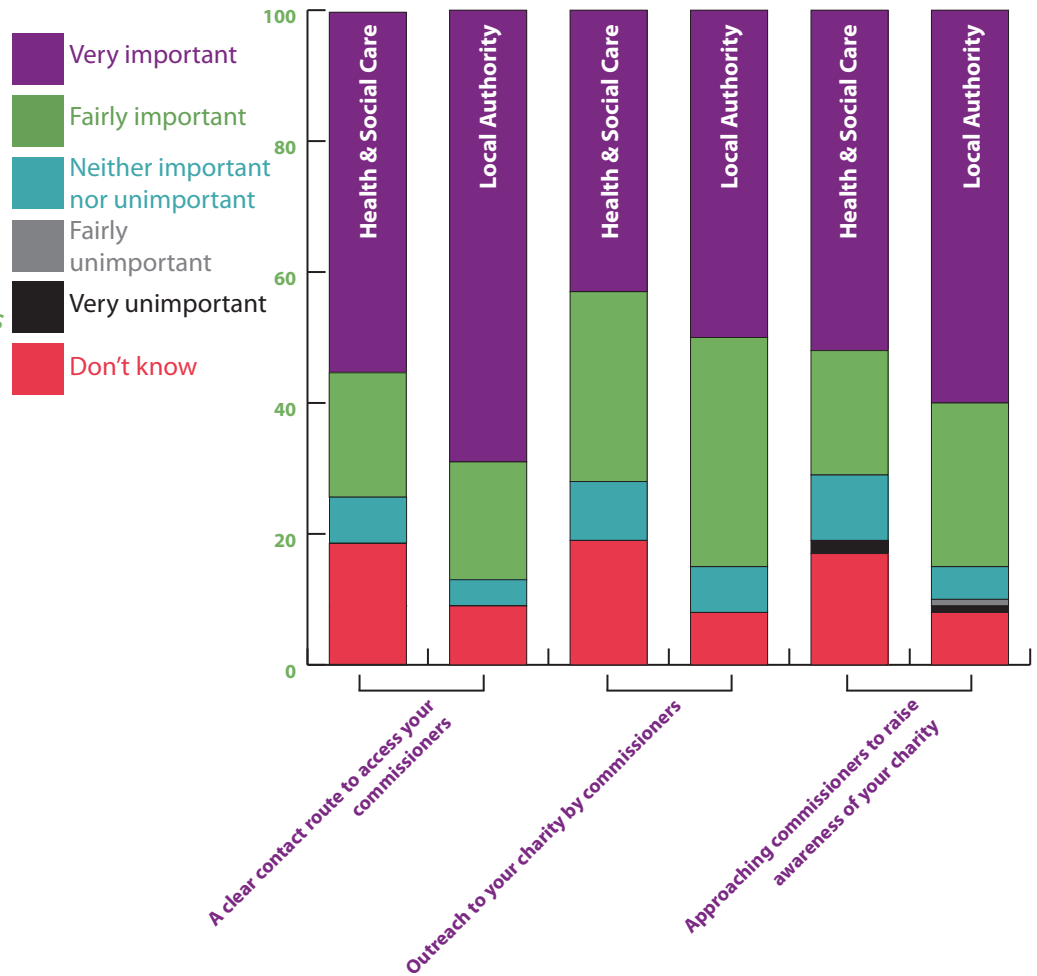
Small charities must take every opportunity to encourage commissioners to build relationships with them at an early stage to facilitate a lasting dialogue.

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"As an organisation we're in quite a unique position concerning bidding for contracts. The local authority in which we are located is taking a 'tri borough' approach to commissioning services at present. Although the borough has saved millions through combining services, for us it has made it really hard to navigate our way through the bidding process. The Council has had to change the way that it puts contracts out to tender which has meant that we don't always know who the commissioners are. I feel that this has been a struggle for both sides, but due to the massive changes to the system we often feel like we are right at the bottom of the process and the last to find out."

Amanda Goodall  
Bishop Creighton House

**To what extent are the following factors important in shaping your organisation's relationship with commissioners?**



Base: All individuals responding (n=131): local authority data (n=42): health and social care data

to prevent small voluntary sector organisations being excluded from delivering public services.

Responding charities have identified a clear contact route as essential to shaping their relationship with commissioners. This can be facilitated on both sides by simplifying communication networks with public commissioning bodies, and consequently increasing the ability for small charities to develop a working relationship with commissioners. For example by providing straightforward website access, or through publishing a breakdown of areas of responsibility within the local authority to indicate which department to approach. This will allow commissioners to identify the best available organisations to deliver services.

## Local Authority Commissioning

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By examining the experiences of small charities that have previously bid for contracts to deliver a service, we have provided an indication of the strengths and weaknesses of the practices in place. Improving services will allow commissioning bodies and small charities to remove some of the barriers that they face in the current process.

Our survey shows that only one third of respondents with experience of bidding for a local authority contract indicated that they were satisfied with their experience. By comparison, just over 40% of respondents had negative experiences of bidding for a contract. From these findings it is clear that we must improve the number of positive experiences of small charities participating in the public procurement process. We asked respondents to identify both the resources they used in submitting bids, as well as the factors which would improve their experience. We have provided recommendations for both commissioners and small charities based on their feedback.

We asked respondents to indicate which factors would be most important in improving the experience of bidding with a local authority. Redressing unequal availability of information proved to be the most important factor in improving access for small charities. As demonstrated in the next graph, over 80% of respondents indicated that advice on how to effectively bid for contracts, and an understanding of the local authority's social priorities and social value indicators was equally considered as 'fairly' or 'very' important. Local authorities are required by law to consider social value in procurement, which was reinforced by the Public Services (Social Value) Act 2012. Exact requirements depend on both local priorities and the specific contract for tender; however small charities are often well placed to deliver social value given their close relationship with communities and their causes.

Providing access to the resources needed to put in a successful bid is clearly essential to increasing the involvement of small charities in the commissioning process. Work must therefore be done to increase the participation of small charities in the delivery of public services and ensure that the best service providers are used.

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### **Recommendation:**

Targeted support must be made available to address the specific challenges faced by small charities in submitting bids. This must extend beyond generic advice guides.

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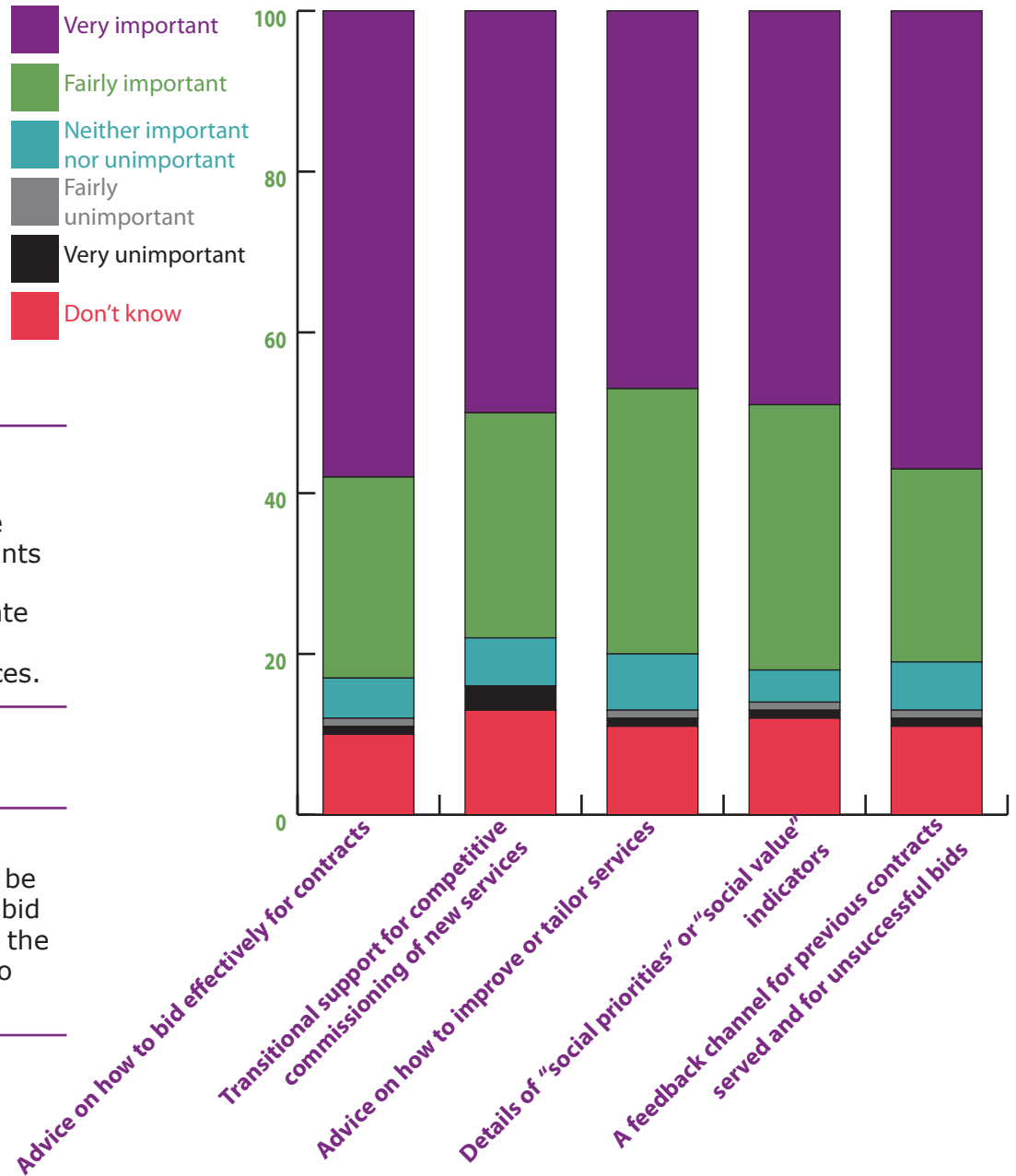
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### **Recommendation:**

Information regarding the social priorities and social values indicators of local authorities must be made readily available to allow an equal footing for small charities.

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### To what extent would the following factors be important in improving the experience of bidding with your local authority?



Base: All individuals responding (n=111)

**Recommendation:**

Small charities must consistently integrate feedback measurements into their work to effectively demonstrate the need for, and the design of, their services.

**Recommendation:**

Advice guides should be used consistently for bid applications made by the small charity sector to deliver services.

Looking at this problem from a small charity perspective, it is evident that small charities need to improve the efficacy of their bids. Just under half of respondents indicated that they 'often' or 'very often' use advice guides when submitting applications, with just over 11% of respondents indicating that they never use advice guides. Advice guides vary from documentation provided with the tender by the commissioning body, to national guidelines and a range of independent publications published by, among others, umbrella bodies and infrastructure organisations. The range of guides actually used by the charities that responded varied dramatically. Some indicated that they used the guidelines provided by the local authority or only those provided with the contract, whereas others used guides provided by infrastructure bodies and umbrella organisations.

Another essential area for small charities when securing funding is the ability to demonstrate the need for their services. Funding may range from contracts to deliver services, to grants from trusts and individual donations; however the importance of evidencing need is the same in all areas. Part of need demonstration is showing how services are shaped by experience. We asked respondents to look at how often they show commissioners that the services they provide have been shaped by service users. The feedback that we received was overwhelmingly positive, with two thirds of small charities indicating that they 'often' or 'very often' demonstrate how their services are shaped by users. By contrast, only 10% of respondents indicated that they 'rarely' or 'never' demonstrate how they develop their services. It is integral to drive this positive figure even higher, and part of achieving this goal will be to think innovatively about how charities can achieve this. When we asked respondents to indicate how they demonstrate the need for services, responses ranged from impact questionnaires, to written or narrative evidence and including service users in meetings.

*As a small charity that has been grant funded in the past, bidding to deliver services is proving to be a lot of work for us. Before we even get to the stage of delivering a service, putting a bid together takes up a huge amount of time and resources. If you're a big charity or a company and you've done it all before then you already have the systems in place; the paperwork involved in some of these applications is huge and it can become extremely onerous for small charities. Part of the problem is not knowing what resources are already out there to help us put in an effective bid. With much funding also tied to activities and not backroom functions, we struggle to gain enough sustainability to deliver services and cover our overheads. The feeling is that in reality, how much chance do you really have?"*

Tony Cisse  
Youth A.I.D Lewisham

## Health and Social Care Commissioning

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### **Recommendation:**

Transitional support should be provided for the competitive commissioning of new services. For example: outline new structures, responsibilities, access routes, and key contacts.

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### **Recommendation:**

Targeted support must be made available to address the specific challenges faced by small charities in submitting bids. This must extend beyond generic advice guides.

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Health and Social Care commissioning has faced some of the greatest reforms of recent times. The Health and Social Care Act 2012 opened up a greater number of healthcare services to competition from a wide range of private and voluntary sector providers. At the centre of the reforms is the creation of Clinical Commissioning Groups (CCGs) which replaced Primary Care Trusts (PCTs) from April 2013. Under the new system CCGs buy in services according to local health needs. Health and Wellbeing Boards act at a strategic level to ensure that services respond to community needs by informing CCGs and local authorities. This means that new players in the commissioning process will be introduced. We asked respondents to draw on their experiences of the commissioning process to look at shortcomings of, and therefore suggest improvements that might be made to, the new system.

When asked to what extent respondents felt informed about the new commissioning practices for healthcare, including the replacement of PCTs with CCGs, almost half of respondents indicated that they felt 'fairly' or 'very' informed. This is compared to one fifth of respondents who indicated that they felt 'very' uninformed about the new commissioning environment. Information plays a central role in the ability for small charities to gain fair and meaningful access to the commissioning process. This is evident in the confidence levels of small charities competing to deliver services in the area of health and social care commissioning. Only 15% of respondents indicated that they were confident in their ability to successfully compete for contracts when the Health and Social Care Act comes fully into force. With such low confidence ratings, it is essential to consider the measures that might be taken in order to provide small charities with the knowledge to gain a foothold in the delivery of services within the new structure.

Looking to satisfaction ratings of the experience of bidding for contracts with PCTs, only 40% of respondents had experience of this process. However, of those who had experience of bidding, satisfaction ratings were positive with over half of respondents indicating that they were 'fairly' satisfied with the process. Although

the sample size is limited, it is a litmus test for the success of the changeover in commissioning practices. It is also an opportunity to question why so few charities within the current sample had experience of delivering a healthcare contract considering 33% work in the area of 'health'.

As the graph overleaf indicates, there were a range of indicators that small charities believed would improve the experience of bidding for a contract with a PCT. Although commissioning structures have changed, the underlying message remains the same: small charities require advice and support in order for them to submit effective bids to deliver services. Half of respondents indicated that access to the right sources of information would be the major driving factor in improving their experiences of the bidding process; 50% of respondents believed that advice on how to effectively bid for contracts and details of local public health priorities were 'very important' in the process.

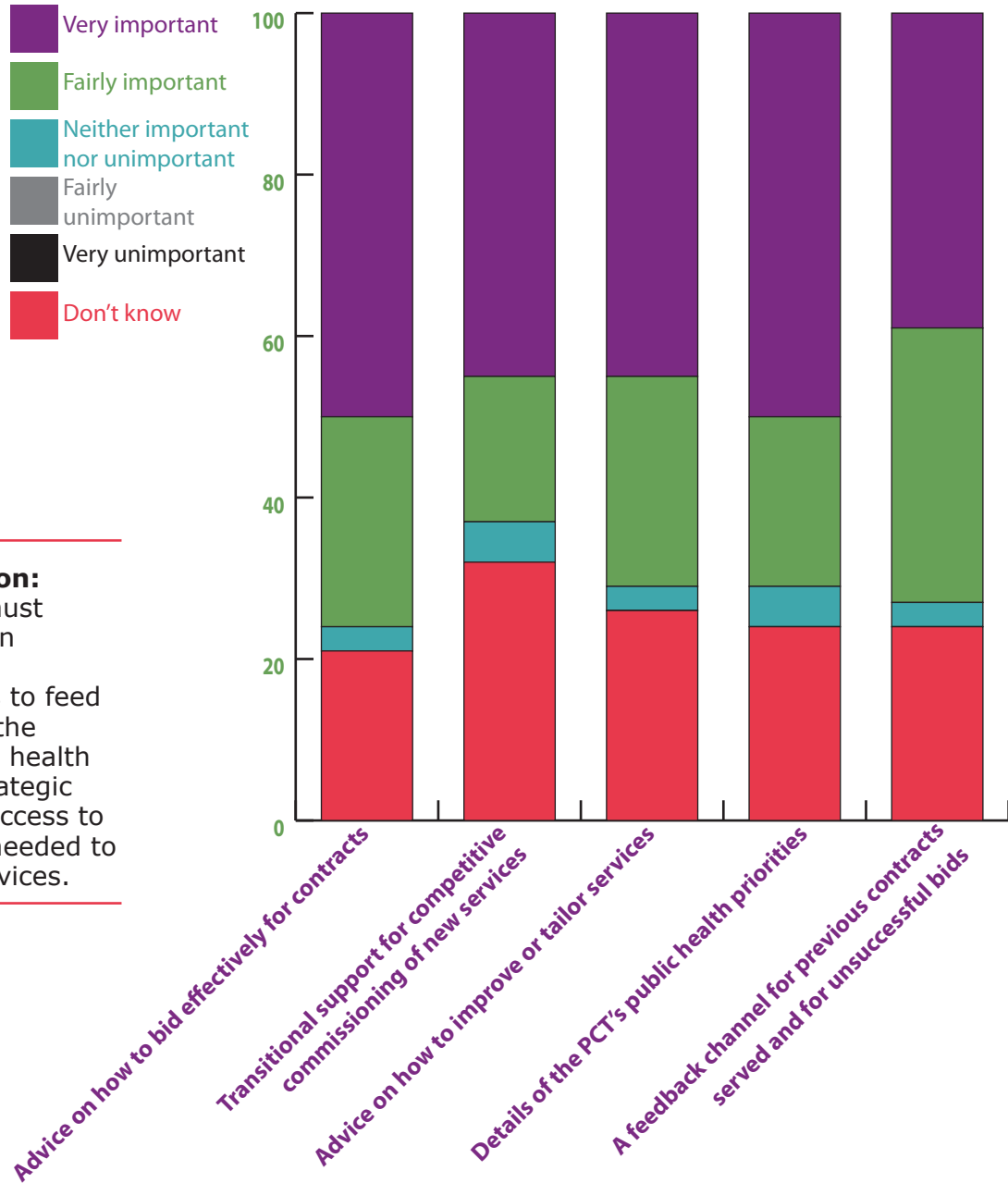
Access to a feedback channel for unsuccessful bids also proved to be a high priority to respondents. Mechanisms to facilitate more effective bid writing through both the resources available as well as access to information may prove to be essential to maintaining the involvement of the small charity sector in the delivery of public services and this includes feedback channels.

Returning to how often charities use advice guides to inform their bids within this area of commissioning, only 30% of respondents indicated that they supported their applications with advice guides. It is essential that small charities are made aware of the support that is available to them in order to provide them with the best chances of putting in an effective bid. This is even more the case when looking at the transition into a new system of commissioning. Looking at how effectively small charities in this sector are able to demonstrate the need for their services to commissioners is more positive. Over 70% of respondents indicated that the contribution that they make is shaped by service users and their feedback. The responding organisations indicated that they used a range of feedback methods including statistical data on service use to anecdotal evidence and case studies.

*"As a charity we provide training courses for carers supporting individuals experiencing severe mental illness. We have had a huge amount of changeover with our funding streams, and this has intensified over the past two years. We previously relied on a small amount of funding as a 'Carers Grant' from Barnet Council to deliver our training. However, after this funding stream was terminated we have had much less stability as an organisation which has disrupted our ability to deliver services. In response we have diversified our income stream, and we have become increasingly reliant on donations. We have had another Council express an interest in our services; although this may present another opportunity for the charity there is no guarantee that this will provide long-term security for the charity."*

Jeffrey Breslaw  
Caring4Carers

## To what extent would the following factors be important in improving the experience of bidding with your Primary Care Trust?



### Recommendation:

Small charities must be represented on local Health and Wellbeing Boards to feed information into the analysis of public health priorities at a strategic level, and have access to the information needed to develop their services.

Base: All individuals responding (n=38)



## Experiences of the Localism Act

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The localism agenda has formed a central part of Coalition Government policy and seeks to devolve decision-making to the local level. This policy was enshrined in law with the 2011 Localism Act and has the potential to transform the role of small charities within communities around the country. The FSI examined perceptions of the localism agenda in 2012 (*Small Charities, Communities & Localism, Report 2012*), which we have built on here.

The present survey examined particular aspects of the Localism Act related to public services. The Act has the potential for new areas of public services to be opened to competition; this aims to give local communities more control over how they are run. The areas which the present research sought to examine were the 'community right to challenge', which empowers organisations to make a bid to take over a service from the local authority; and the 'community right to bid', which empowers organisations to take on an asset maintained by the local authority, which is considered to be of value to the community.

Given that these new rights will impact on small charities in communities around the country, we wanted to gain an insight into how confident small charities were in using them. Previous research by the FSI (cited above) found that knowledge of the localism agenda increased with the size of the charity. In the present research, satisfaction levels within small charities did not demonstrate an overall position on the new rights accorded by the Act; 68% of respondents indicated that they were neither satisfied nor dissatisfied with the new powers in the Localism Act.

*"In terms of gaining funding from the local authority, we feel that we're really well placed to deliver but we're finding it extremely challenging to get access to the commissioning process. Alongside the difficulties of having the resources to put in a strong bid, we don't feel that the local authority is prepared to take the chance of providing funding to our charity even though they say that they are open to the voluntary sector delivering services. This puts us in a Catch-22 situation: We can't make a bid because we are unable to prove a record of service delivery, but we can't do this because the local authority won't take a chance on us as a delivery organisation."*

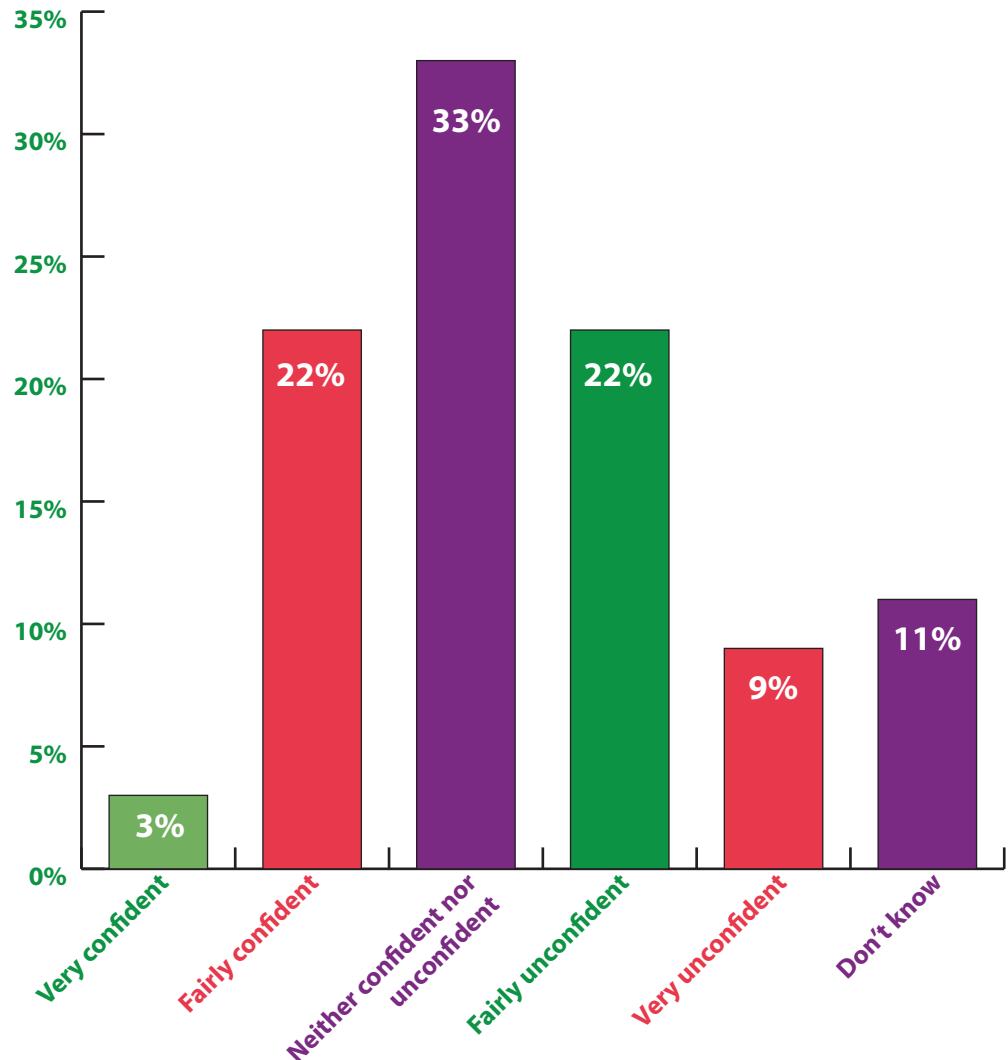
Alison Vaughan  
Bury FC Community Trust

**Recommendation:**

Viabile financial arrangements, including upfront 'grant' funding, should be made readily available to enable small organisations to compete for the delivery of local services.

What is concerning is how this translates into practice. The graph below shows that at present small charities lack the confidence to take advantage of these new rights. Around one third of small charities lacked confidence about the opportunity to compete in new areas of public procurement. This corresponds with previous research which indicated that smaller charities were less likely to know whether they could gain more influence under Localism (*Small Charities, Communities & Localism Report 2012*). It is essential that if rights are brought down to community level then community organisations develop the confidence and skills to take advantage of these opportunities.

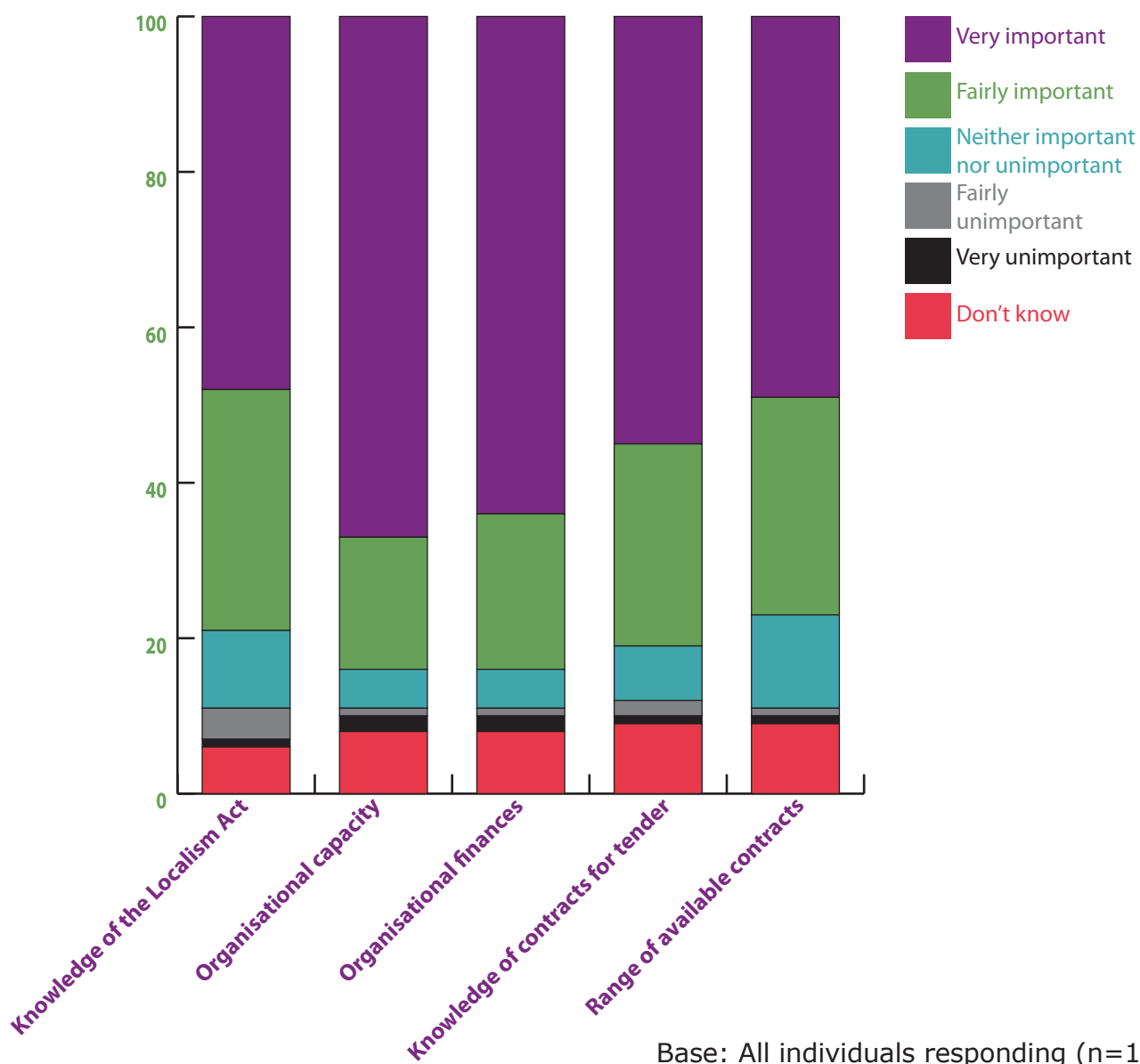
### To what extent are you confident that your organisation can compete in new areas of public procurement?



Base: All individuals responding (n=201)

Looking at specific elements of the Act, 50% of respondents indicated that they were not confident in using the community right to challenge, and equally half of respondents indicated that they were not confident in using the community right to bid. Given these low confidence levels, it is essential to work out which factors will increase the active participation of small charities within the localism agenda. Outlined in the graph below are the factors which would determine whether charities make a bid for a contract.

**To what extent are the following factors important in deciding whether you would make a bid for a contract using the rights in the Localism Act?**



Base: All individuals responding (n=193)

Importantly, knowledge of the Localism Act was not the biggest barrier to using the rights conferred to community organisations. According to the results of our survey, organisational capacity was the most important factor in deciding whether to make a bid to deliver a service under the Localism Act. This was followed by organisational finances. These elements indicate that structural issues are the core deciding factor in taking advantage of these opportunities.

On a local level it is therefore essential that small charities are not excluded from the opportunity to deliver services. Having an understanding of the available opportunities is key, but services risk excluding small charities if they do not have a chance to compete due to the inability to secure finance. According to the FSI's previous research into localism, it was found that most small charities feel threatened by large charities and private businesses in competition for service delivery and funding applications. Further respondents here quoted funding issues, indicating that 'cash flow and capital finance' were major barriers. A number of charities also suggested that accessing information was the major barrier for them.

# Experiences of Consortia

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Bidding as part of a broader group of organisations is a means by which small organisations can successfully compete to deliver a service for which the contract would otherwise be too large. With the move towards the delivery of services via contracts, learning to work effectively with other organisations in a formal context is absolutely essential.

With the establishment of the Open Public Services agenda following the election of the 2010 Coalition Government, many small charities have entered high levels of collaboration for the first time. This section will explore the challenges that small charities have faced as part of bidding consortia as well as factors that would improve their experiences. As the base number of respondents for this section was less than 50, results are only indicative. Again however, this elucidates the fact that fewer than 50 charities within our sample were able to answer this section.

Turning to satisfaction ratings first of all, 40% of respondents indicated that they were 'fairly' or 'very' satisfied with the experience of working as a consortium. However, a significant number (30%) indicated that they were dissatisfied with the experience; therefore we need to look at the factors shaping successful consortium arrangements.

When looking at the reasons for putting a consortium together in the first instance, respondents indicated that responding to service demand in their area, as well as the expertise of the member organisations were the most important factors. This suggests a service-led approach to collaboration. However, factors leading to successful collaboration necessarily extend beyond the ability to deliver services. The lowest down priority in forming a consortium was considering the size of the consortium and the financial resources of the member organisations. This data suggests that small charities are looking more at the ability to match service to demand rather than the practical implications of collaboration. This may be due to the desire to 'chase' funding as it arises, rather than looking at the long-term sustainability or viability of the consortium.

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**Recommendation:**

Alongside the ability to deliver services small organisations must consider practical elements such as size and financial resources of participating parties when looking at collaboration.

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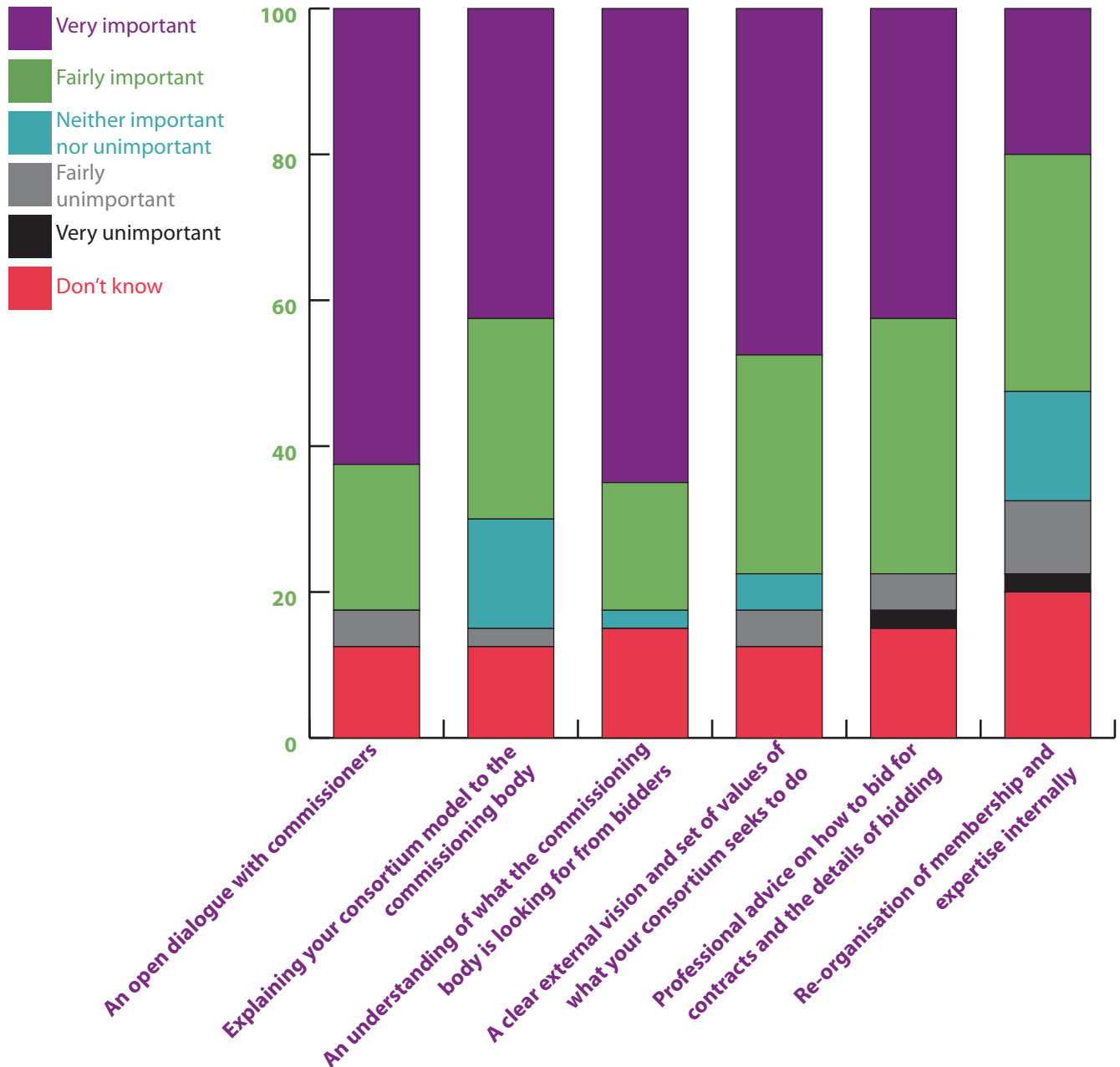
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**Recommendation:**

Organisations entering into collaboration must have a robust collaboration agreement that recognises the responsibilities and capabilities of each member organisation, alongside a clearly defined set of values.

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## To what extent would the following factors improve your experience of bidding as a consortium?



Base: All individuals responding (n=40)

Although our results indicate that the drive towards collaboration was spurred on by a motivation to match supply and demand of service provision in any given field, the difficulties faced by these consortia in practice re-affirm the importance of factors beyond the ability to deliver a service. Over half of respondents reported that their consortium found it 'fairly' or 'very' difficult to win a contract with a

commissioning body, with no respondents indicating that the process was 'fairly' or 'very' easy. The main reasons indicated by respondents for this included incompatibility between the goals of the participating organisations, and the financial constraints placed on the consortium by contracts. Moreover, when asked how important defining the values and vision of the consortium was, it was considered to be less important than the management structure and business plan.

Our findings reinforce the importance of entering a collaboration agreement with an understanding of the practical implications of working together as well as the ability to deliver services effectively. In the next graph, respondents indicated the main factors which would improve their experiences of bidding as a consortium. The factors which came out on top were 'an open dialogue with commissioners' and 'an understanding of what the commissioning body is looking for from bidders'. The factors with the lowest perceived impact for improving the experience were 'explaining your consortium model to the commissioning body', and 're-organisation of membership and expertise internally'. We have argued above that it is integral for small charities to take stock of their consortium structure. However, it is also clear that the access route to successful commissioning must be as clear as possible for new organisational structures.

*"Working in a consortium has proved to be a very positive experience for us to date. Although the project hasn't yet kicked off, we have laid much of the groundwork. We undertook conversations with a series of different organisations before deciding to work with our current partner for the project. It was only through these conversations that we realised that the organisation we are now working with would be the best fit. Given that we are the lead organisation for the partnership it was essential to understand the business model of the other organisation, and it is through gaining this insight that we realised that the consortium would work. There is a lot of cross-organisational learning to be done as we move forward in this partnership. It's been critical to prove the value of our services both for funding applications, and for us to match supply and demand for services."*

Stephen Kelly  
Chinese Arts Centre

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**Recommendation:**

Commissioners must facilitate an open conversation with bidders in order to provide a clear communication channel with potential service providers.

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**Recommendation:**

Commissioning bodies must make allowances for the time needed to build a robust consortium in order to provide opportunities for small charities without dedicated teams.

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## Conclusion

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The funding environment is changing rapidly for the voluntary sector and it is essential that charities and public sector bodies alike review current practices and examine the areas in need of improvement. This report has looked at the experiences of commissioning from the perspective of small charities, as well as looking at potential solutions.

It is clear that the small charity sector today still has a long way to go to become an influential force within the new public service delivery landscape. This is evident across the localism agenda, local authority contracting, health and social care commissioning and different areas of collaboration. By improving commissioning practices, commissioners will be able to realise the potential of the small charity sector to a greater extent than at present. The way to progress will be to facilitate a viable commissioning environment in order to ensure that small charities do not become permanently excluded which, if we are not careful, may lead to their permanent closure and the loss of support to innumerable beneficiaries.

*"At present the commissioning environment seems to be changing quite quickly. We are currently confident when competing for contracts but instability locally means that this might change in the future. As a charity we put a strong emphasis on getting feedback data from service users, staff and volunteers. We use the data that we gather to inform our work plans for the year ahead and to develop our services. We think that this has had a positive impact on the success of the charity. We provide evidence of why our services are needed and this gives confidence to our funders. Having good processes in place has meant that we can apply more successfully for contracts and for trust and foundation applications alike."*

Louise O'Neill  
Back on Track



## Moving Forward

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Looking to the future of the commissioning process, it is clear that the current situation is not sustainable. Only around one quarter of respondents indicated that they felt they could carry on bidding for - and carrying out - local authority contracts over the next 5 years; only one fifth of respondents indicated confidence within the area of health and social care commissioning.

Throughout this report we have sought to examine which areas are in need of improvement from both the perspective of commissioning bodies as well as small charities. It is evident that improvements need to take place and this must begin with a more open dialogue between those who are seeking to secure services for their community and those organisations delivering services to individuals on the ground. A clear contact route to access commissioners is an important place to start in order to open a dialogue.

Our key recommendations, highlighted throughout this report, suggest that improvements can be made in each of the areas discussed. One theme that transcends each of the sections is the importance of access to information in order to determine whether an organisation will make a bid to deliver a service, and whether they will be able to do this successfully. However, looking at the new powers given to communities by the Localism Act, overwhelmingly charities felt that organisational finances were the ultimate determinant of undertaking any services. Commissioners must provide the targeted support which is needed for small charities; equally small charities must consistently integrate feedback measurements into their work to effectively demonstrate the need for their services in preparation for bids. Small charities have less time and fewer resources to devote to bid-writing and this must be recognised in the development of the commissioning cycle.

With many charities now coming together to compete to deliver services it is essential that we create a positive environment in which this can happen. At present, collaboration in the small charity sector still has a long way to go. Progress will rely on charities devoting more time to the practicalities of delivering services but also requires commissioning bodies to understand the complexity of drawing together multiple organisations that have not previously worked together. Collaboration already exists between small organisations in a less formal way across the country, but if it is to become a central determinant of whether small charities are able to keep their doors open then action needs to be taken to ensure that this is the case. More importantly, the consequences of these charities no longer being available to deliver their services will impact on support available to individuals and communities around the country.

\*We have made every effort to ensure the accuracy of the information contained in this report. The FSI cannot, however, be held responsible for any actions undertaken by an organisation as a result of this information. The FSI, June 2013\*

## Acknowledgements:

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The FSI would like to thank all of the charities that contributed to the survey and would like to thank the following individuals for their particular contributions to the research:

<b>Sara Young</b>	Association of Carers
<b>Amanda Goodall</b>	Bishop Creighton House
<b>Tony Cisse</b>	Youth A.I.D Lewisham
<b>Jeffrey Breslaw</b>	Caring4Carers
<b>Alison Vaughan</b>	Bury FC Community Trust
<b>Stephen Kelly</b>	Chinese Arts Centre
<b>Louise O'Neill</b>	Back on Track

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## Federation for Small Charities Council

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Today small charities are working in an increasingly challenging climate. Small charities need a voice in this new 'normal' and we want to ensure that this happens. The FSI is extremely excited to be changing the way we support small charities to raise their voices and influence government (local and national), the public, and other parties. As such, Small Charity Week 2013 marks the launch of the Federation for Small Charities Council. The Council will comprise 36 organisations which represent a cross-section of small charities across England and Wales. These have been selected by income, cause type and geographical location. We want to ensure that the Council is the 'go to' place for politicians, government officials, the media and other influencers when they want to discuss or learn about the sector. The Federation for Small Charities Council is supported by the Foundation for Social Improvement.



## Small Charity Index

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The Small Charity Index will create a stronger voice for charities by providing a monthly 'pulse of the sector' report. The Index publishes reports from a database of charities that are representative of the Small Charity Sector as a whole by income, cause type, and geographical location. We know that small charities are working in an increasingly challenging environment, and at the FSI we believe it is essential that the most up-to-date

information is available to inform decision-making on the sector. Monthly reports will provide hard data on the sector and this will be supplemented by in-depth quarterly reports. The Small Charity Index will be launched during Small Charity Week 2013 and aims to provide small charities with a bigger voice on both the local and national stages.



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