


# Engaging with the Third Sector



Third sector social enterprise has a long history, from the co-operative movement of the 1800s to the long trading activities of many charities, of which The Chartered Institute of Purchasing & Supply is one.



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### INTRODUCTION

#### Learning Outcomes

This guide is designed to help predominantly, but not exclusively, public sector procurement professionals to engage with the third sector for the procurement or commissioning of mainly services. Readers will learn something about the background, history, size, scope and importance of the sector, something about sectoral trends and some of the advantages and disadvantages of buying from the third sector.

Other objectives of the guide are to raise awareness generally in the sector, to outline the special expertise of organisations, to highlight some of the barriers faced by organisations in competing for contracts and to summarise what buyers might do to increase third sector business. Finally, it will point to some useful sources of further reading. Much of what is written here will be of greater value to the public sector buyer than his or her counterpart in the private sector, but it is not unknown for private sector firms to buy from the third sector, so some of the principles in this guide might be useful to those buyers.

The guide is designed to be read by procurement professionals, project managers engaged in procurement projects and other staff and managers who may be involved in the design or approval of policies and programmes that shape procurement strategies.

#### Firstly, some myths about Third Sector Organisations (TSOs).

The third sector is a new phenomenon – Many TSOs claim they are the oldest and it is really difficult to claim otherwise probably the oldest charity though is The City Bridge Trust, which claims to have its origins in 1097. So TSOs are not new.

Relationships between the public sector and the third sector is a growing new trend - probably the first contract between a charity and the public sector was between the Treasury and the Corum Family in 1790. So relationships are not new. TSOs are predominantly small so do not have the capacity to meet the needs of the public sector – Some third sector businesses are very large indeed. Remploy, one of the best-known, operates ten businesses, has a turnover of almost £290 million, owns over 80 sites in the UK, and employs over 5,000 people; the Charities Aid Foundation in 2007 identified Cancer Research as having a voluntary income of £297m, Oxfam with £176m, and British Red Cross with £116m. So TSOs are not necessarily small but in the UK, size and scope are very diverse.

In 1998, the Government made a commitment to the voluntary and community sector in England by way of “The Compact”. This is an agreement which recognises shared values, principles and commitments and sets out guidelines for how Government and the VCO’s should work together.

Although the Compact is not legally binding and is built on trust and mutual goodwill, its authority is derived from its endorsement by government and by the voluntary and community sector itself through its consultation process.

In 2006, the then Prime Minister, Tony Blair, gave a seminal speech concerning the third sector which gave the clearest indication to date about the Government's intention to promote the virtues of the sector within its own aegis and also in the general economy. He said:

"The influence which the voluntary or third sector has had on our economy and our public services over the past decade has been one of the most profound and lasting changes in society. The private sector has learned the value of being rooted in a community and of developing genuine programmes to support corporate social responsibility, while the public sector has learned the critical importance of understanding customers.

*"When cooperation works it can be very powerful but if there are barriers which prevent this collaboration we will remove them, if there are rules that prevent private and third sector bodies bidding fairly against the public sector we will change them, if there is bureaucracy which inhibits the ingenuity of people with a public service ethos we will dismantle it. It is only if we do this that we will get to the root of some of the intractable problems we confront.*

*"It seems clear to me that partnerships between commercial companies, third sector organisations and the public service will more and more be the way that we deliver better focused and more cost effective public services."*

The National Audit Office states that third sector organisations share common characteristics in their social, environmental and cultural objectives - they are truly independent bodies - and they invest surpluses to meet those objectives. Given the strength of the Government's feeling about the third sector, it is entirely appropriate that procurement professionals address the possibility of engaging more with the third sector in their own spheres of operation.

According to the Joint Compact Action Plan 2008 - 2009, there were 865,000 civil society organisations with a total income of £109 billion in 2005-06. In 2005-06, income from government was £10.5 billion.

By way of examples, Registered Social Landlords (RSL's) increasingly own and manage their own and former local authority housing stock. These are significant third sector organisations in their own right. In the north-east of England the ISOS RSL has an annual turnover of £26 million and significant growth plans, mainly by means of acquisition. Glasgow City Council recently transferred all of its housing stock to a new RSL, which is now the largest in Europe. It also transferred its whole culture, leisure and sport activities to a new trust, which is now a third sector organisation. Local authorities are following the Health Service and are doing this more and more, mainly as a device to unlock the financial constraints imposed generally on them, but also to allow these trusts to innovate and radically reform their sometimes moribund businesses. Research for the Department of Housing showed that local authorities in England spent £13.7 billion on adult social services in the financial year 2004/5, of which 11% was delivered by the third sector.

## Definitions

According to the National Audit Office, the third sector describes the range of institutions that occupy the space between the State and the private sector. These include small community and voluntary groups, registered charities both large and small, foundations, trusts, social enterprises and co-operatives.

One key area of third sector service provision is in the field of the commissioning of education, health and social care services. The Department of Health and the Department for Education and Skills defines commissioning as ‘the process of assessing need, defining priorities and choices, allocating resources, deciding on how services will be best delivered, planning and developing services and monitoring and evaluating the delivery and effectiveness of services.’ Local authorities normally employ a ‘mixed economy’ approach – delivering some services themselves as well as commissioning them from the private, health and third sectors. Government organisations have developed their own commissioning frameworks. The following has been developed by the National Programme for Third Sector Commissioning (NPTSC):

- Strategic Needs assessment
- Decide priorities and outcomes
- Plan and design services
- Optional appraisal
- Sourcing
- Delivery
- Monitor and review
- Strategic needs assessment.

In a recent document by the NPTSC, it was stated that greater involvement of the third sector in public services commissioning can be generalised under two different roles, ‘voice’ and ‘choice’. In a ‘voice’ role, the third sector can be a key partner alongside the public sector to enable the reinvigoration of Local Strategic Partnerships. TSOs in this role are able to design, shape and call upon public service delivery in the strategic planning and performance management of community projects. The ‘choice’ role is concerned with the procurement phase; TSOs providing procurement professionals with a greater choice of suppliers.

Third sector organisations offer a vast range of goods and services, of which the following list is by no means exhaustive:

- Fairtrade food and beverages
- Furniture and beds
- Transportation
- Waste collection and recycling
- Bicycle repair
- Catering
- Consultancy
- Cleaning
- Childcare
- Grounds Maintenance
- Healthcare
- Housing
- Information
- Outdoor activities
- Property Maintenance
- Recruitment
- Research
- Social Care
- Training
- Environment
- Welfare
- Web design



The National Programme for Third Sector Commissioning has developed the eight principles of good commissioning which are worth mentioning at this stage in this paper:

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

### Background

The ability to engage effectively with TSOs has become even more important because of the growth of interest in responsible procurement and in particular Corporate Social Responsibility, both as a factor in organisational governance in contracting authorities and a Unique Selling Proposition for third sector providers. Changes to EU procurement legislation in 2006 make it easier for public sector bodies to place contracts with third sector organisations.

Unsurprisingly, the sector itself is improving its output better to meet the needs of its markets. Social Enterprise organisations within the third sector such as The Big Issue and the Cooperative Bank, mirroring the activities of the private sector, albeit in a highly differentiated and specialised way, are growing very rapidly. They are filling niche markets that neither the public nor the private sector are willing or able to service effectively. Some buyers have come in for some criticism because they have not taken the time and trouble to understand what third sector organisations can offer, and have failed to embed the culture of third sector organisations into the corporate psyche. These criticisms may be a trifle unfair, because there is a counter-argument that third sector bodies have failed singly to engage with buyers, not necessarily the converse. It is useful for buyers to add third sector organisations to their panoply of supply options, not least to stimulate competition, but also to help identify real innovation. There is little doubt that third sector services can be extremely innovative.

Much of the advice given here is equally appropriate to procuring from small and medium enterprises (SMEs) and Black and Ethnic Minority companies (BEMs). The overriding aim of this guide is to encourage buyers to think about sourcing from the third sector at the earliest possible stage in the procurement process, to embed the concept of third sector involvement in competitive procurement contracts into an organisation's procurement strategy and vision, and to suggest that the procurement model required to trade with the third sector needs to be somewhat different than that used to trade with the private sector.

The CIPS position on Corporate Social Responsibility (CSR) is intended primarily for P&SM professionals but it applies equally to anyone who has responsibility for managing the supply of goods or services from an external source. The P&SM professional has a responsibility to at least be aware, if not have a thorough understanding, of CSR issues in P&SM and endeavour to ensure that P&SM practice does not have a negative social impact on all stakeholders concerned, and that any issues are addressed in a positive manner.

- CIPS believes that CSR has become the broadly accepted phrase to describe a collection of interrelated disciplines all of which combine to represent an organisation's overall ethos, its personality, philosophy and character, as regards its role in the world in the largest sense.
- CIPS believes that CSR is simply good business practice. It embraces how organisations are run and their commitment to all stakeholders.
- CIPS encourages P&SM professionals to consider the long-term implications of their actions and to question objectives that may unintentionally have negative socioeconomic consequences.
- CIPS believes that P&SM professionals should adopt a balanced scorecard approach when assessing a supplier's CSR credentials which brings with it inherent logic that ensures adequate consideration is given to the interrelated elements of CSR.
- CIPS believes that the following elements are considered most relevant within the supply chain and that they relate to, and recognise the importance of, the various stakeholders concerned (employees, customers, suppliers, the community, the environment, and shareholders).
- CIPS believes that P&SM professionals should play an integral role in influencing board directors to affect the desired company position relating to CSR.

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- Environmental Responsibility
- Human Rights
- Equal Opportunities
- Diversity
- Corporate Governance
- Sustainability
- Impact on Society
- Ethics & Ethical Trading
- Biodiversity
- Community Involvement

CIPS believes that P&SM professionals should play an integral role in influencing board directors to affect the desired company position relating to CSR.

### Impacts and risks

If one looks at a huge third sector organisation such as Remploy's business plan for the future, its significant sales growth is predicated more or less entirely on one assertion, that the so-called 'Article 19,' (the clause in the recent EC Procurement Directives that allows contracting authorities to seek tenders purely from 'reserved' organisations, which includes certain, but not all, third sector bodies) will automatically lead to a significant increase in business. That is a

dangerous and risky assertion to make, because it requires a completely pliant approach from contracting authorities to change their procurement strategies and policies to encompass much more trade with the third sector. That is easier said than done.

The text of Article 7 of the UK regulations, which was derived from Article 19 of the EC Directive is replicated below:

### Article 7

1. In this regulation- "supported business" means a service where more than 50% of the workers are disabled persons who by reason of the nature or severity of their disability are unable to take up work in the open labour market and "supported business" shall be interpreted accordingly;

"supported employment programme" means a scheme under which work is provided for disabled persons and where more than 50% of the workers so supported are disabled persons who by reason of the nature or severity of their disability are unable to take up work in the open labour market and "supported employment programmes" shall be interpreted accordingly; and "supported factory" means an establishment where more than 50% of the workers are disabled persons who by reason of the nature or severity of their disability are unable to take up work in the open labour market and "supported factories" shall be interpreted accordingly.

2. A contracting authority may reserve the right to participate in a public contract award procedure, framework agreement or dynamic purchasing system to economic operators which operate supported businesses, supported employment programme or supported factories.

3. Where a contracting authority has reserved the right to participate in a public contract, framework agreement or dynamic purchasing system, in accordance with paragraph (2), it shall follow the contract award procedures set out in these regulations.

4. When seeking offers in relation to a public contract, a framework agreement or dynamic purchasing system, a contracting authority shall specify in the contract notice if it is using the approach referred to in paragraph (2).

Public Sector bodies have to achieve value for money and best value is a legislative requirement, and one cannot prove best value if one shuts out the market to private sector tenderers by invoking Article 19. TSOs will need to be as commercially astute as their counterparts in the private sector to compete on an equal footing. Article 19 does not act as a bypass from good tendering practice.

Buying organisations will still be sourcing suppliers with good business acumen and that requires TSOs to have clear and effective marketing strategies and a good understanding of buying organisations' procurement strategies, policies and business needs. If a buying organisation has a view that third sector organisations have neither the capacity; the ability; the wit; nor the wisdom, to execute corporate contracts, then it is really up to the TSOs to change that perception.

However, buyers should be willing to undertake premarket intelligence to ascertain what third sector organisations can offer, rather than blindly reject advances from the sector on the



grounds of outmoded and subjective prejudices. The relentless pressure to achieve continuous improvement cuts both ways.

### Barriers

It is important that buyers involve all potential suppliers, including third sector suppliers, when procurement policy is first being formulated and new projects and requirements are being planned. It is too late for the sector to respond innovatively if the first they learn of a contract opportunity is whilst metaphorically thumbing through Tenders Electronic Daily (TED). That is certainly a deterrent to third sector organisations bidding.

Another matter that weighs against the third sector is the drive to standardise, simplify and reduce the supplier base in the interests of contract aggregation or procurement economies of scale. It will be difficult to champion rationalisation and yet expound on the need to increase third sector deals exponentially at the same time. However, it is at a local level that the greatest strides can be made. The third sector is skilled in local operations and local markets, and can, like Autolycus in Shakespeare's 'A Winter's tale', become a 'snapper-up of unconsidered trifles.'

A further barrier to the third sector is the sheer cost and complexity of tendering for public sector contracts.

Some specifications are so prescriptive, so rigid, so inflexible, not only do they stifle innovation at birth, they make it almost impossible for third sector organisations to bid for work. Buyers should consider the use of performance or output specifications.

Nor do public bodies make it easy for third sector organisations to find out about tendering opportunities. That does seem to be changing for the better with the ruling that the EU Treaty applies even to below-the threshold and Part B services, so low-value tenders (provided they are of interest to other Member States – the 'proportionality' argument) have to be advertised 'using a suitable medium'. Buyers should consider whether the Buying organisation's website is likely to be the right place to advertise. If potential suppliers do not know to look here then it is not suitable and other sources should be considered.

There are sometimes cultural differences between buyer and seller, and a lack of shared values.

Sometimes, third sector organisations cannot meet the impossibly high standards set for their accreditation by buyers, and regularly, the pre-qualification ritual in a two-stage process, to which they must submit themselves time after time, make it hardly worth their candle to compete. Buyers could consider a local, regional or national pre-qualification database where suppliers are pre-qualified once over a reasonably long time period and those data were then available on a national database for all contracting authorities to view at their leisure.

### Enablers

The third sector can spread its tentacles out into the very heart of 'hard-to-reach' groups that might easily drop off the mainstream radar. Examples of these services might be the provision of childcare services to student parents within a college or university or running a community newsletter by employing staff with fragile mental health who might otherwise be (wrongly) in care. This is very useful when a public organisation is struggling to provide these services itself.

The political will is there to make contracting with the third sector a reality. Translating the political imperative into hard-nosed pragmatic procurement policy is not so easy, however, and buyers must play their part in setting and achieving this objective.

Third sector organisations are not-for-profit, so there is no reason why they cannot offer good value-for-money. The private sector expects a healthy profit and the public sector is normally carrying large overheads that have to be recharged to the delivery of these services, so third sector organisations must have a fighting chance to be the lowest-cost as well as offering best value, which deals with whole-life costs, including CSR and opportunity costs.

Innovation is one of the key USPs of the third sector. Many TSOs work in highly localised 'niche' markets, bringing their experience and expertise to solving problems in an ingenious and radical way. Innovation is increasingly a core activity for the procurement professional and it is imperative that they avoid criticism of being purely reactive to situations, and lacking in the foresight to develop procurement policies that would help identify innovation in their supply markets. Buyers could perhaps do more to identify innovative practices in the third sector.

The third sector offers expertise in areas that are not touched by other suppliers and service providers in the market place. Many are highly specialised, highly flexible and can quickly change outputs to meet buyers' needs. Because the profit motive is not an issue, it becomes easier for third sector organisations to negotiate with absolute transparency and share their whole-life costing models, in an open-book fashion, which is rarely the case with private sector suppliers. Buyers should, however, be aware that although they do not have a profit motive, they do need to make money otherwise they will soon no longer exist, leaving the buyer a problem. Collaboration is a potential enabler. One criticism of the third sector is that it has been slow to see collaborative and partnership opportunities within its own ranks.

Indeed, severe criticism has been meted out politically to the large charities, because in some cases they actually compete against small, local, third sector organisations and subsequently cause them to be starved of cash.

Surprisingly, the move away from grant funding towards a mixed economy under the aegis of competitive procurement may also be an enabler. Managing the grants system would benefit from professional procurement input to avoid the system becoming slow, cumbersome, inequitable, not transparent, difficult to manage, far too short-term, and quixotic. The EU also looks on to see whether grants break the complex state aid rules and there is some case law which shows that there have been some clear breaches. Public sector organisations are at long last starting to realise that commissioning of services can benefit from some professional procurement practices. Provided specifications are based on outcomes, not inputs, and the evaluation criteria for contract awards are fair and reasonable, third sector organisations do not fear competitive tendering: in fact, they welcome it, because there is a level playing-field for all.

Legislation is also an enabler. The much-vaunted Article 19, as has been described earlier, does allow public contracts in excess of the EU threshold to be reserved purely for a proportion of firms in the third sector and some public bodies have taken advantage of that rule.

### Public Social Partnerships (PSPs)

Longer contracts might benefit the third sector, as might breaking up contracts into smaller 'lots,' though never with the intention of breaching the threshold rules of EU law. Another possibility is working with main contractors to see if there are any sub-contracting opportunities for third sector organisations.

These are enablers. They are relatively new, and describe co-planning arrangements between public partners and third sector social economy partners. This form of design partnership is emerging as a new method of developing and delivering services. Some of the drive for this approach is emerging from joint commissioning, especially in the area of care services. Partnership working takes place at both a strategic and design level. The public sector is able to draw in the expertise and innovation of the social economy partners and to use the direct links with potential service users to shape and design more effective public services. The main advantage of these is it pools expertise across the public and third sectors. Co-planning of service delivery allows the public sector to benefit from the experience of the social economy in designing the specifications of specialist community based services.

### Practical advice for buyers in engaging with third sector

- Make sure you explain how the third sector organisations have to complete the PQQ and tender documents, particularly if this involves eProcurement or even eAuctions. Give a clear idea of the timetable for the process (pre-tender (PQQ) information, tender documents supplied, tender documents returned, interview or presentation dates, to ensure that they can meet all various deadlines. If there is a PQQ, ensure that you have provided all of the information required for a third sector organisation to prove it is 'fit for purpose.' Simplify and reduce the demand for additional documents to support a PQQ questionnaire and keep the questionnaire clear and relevant.
- Ensure that you have simplified terms and conditions of contract so that they can clearly be understood by all suppliers. Offer a facility to feed back answers if there are areas of the Ts and Cs that third sector organisations do not understand. Ensure that you stress the importance of the date and time for the return of tenders.
- Ensure that the tender specifications are clear and concise and allow for a degree of innovation and flexibility. Outcome-based specifications are preferable to highly prescriptive input specifications. Write the tender in clear English that can be understood and avoid jargon.
- Clearly inform tenderers of the objective tender evaluation criteria that you will be using to make the contract award decision, and advise tenderers simply of the Alcatel ruling – the standby period within which tenderers can challenge the award decision. Give information about de-briefing of unsuccessful tenderers.

### Tools and templates

Has the buyer set aside sufficient time to plan and cost the contract so that the third sector can be fully included?

Has the buyer compiled the pre-contract information required to ensure that the third sector can show that it is fit for purpose?

Has the buyer scoped the contract adequately to ensure the third sector can compete on equal terms?

Has the buyer involved the right people in the organisation in assisting to plan the delivery of the contract?

Has the buyer considered visiting third sector organisations to gain an understanding of how they may plan and cost contracts?

Has the buyer considered offering the third sector assistance in understanding the procurement process?

Is the buyer using whole-life costs, including all operational costs, one-off costs and indirect costs, in his evaluation model?

Has the buyer simplified the structure and scope of the contract so that third sector organisations can plan and cost the tender accurately?

Has the buyer made it easy for third sector organisations to calculate the direct costs of service delivery?

Has the buyer scoped the contract flexibly enough so that third sector organisations are not unduly harshly penalised for snagging contingencies and so on?

Has the buyer created a workable model for downstream contract management and contract delivery and is that described in the tender?

Has the buyer allowed for third sector organisations to make a reasonable surplus for their execution of the contract?

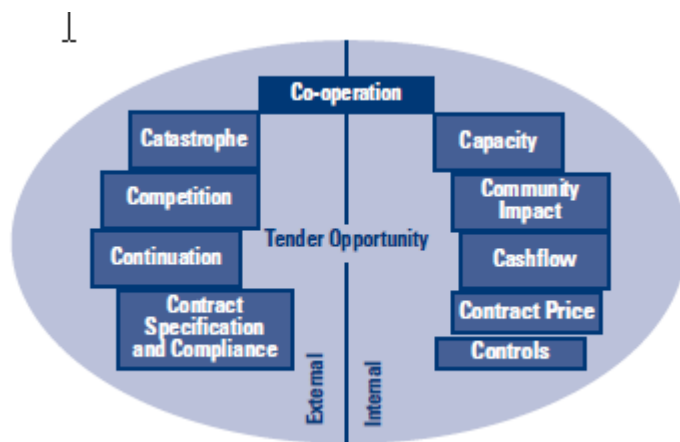
Has the buyer taken into account the possible need for more generous payment terms to the third sector because of their special cash flow needs?

Has the buyer highlighted any regulatory, compliancy or fiscal issues that might arise from the third sector delivering the contract and are these included in the contract?

Has the buyer put the machinery in place to reject abnormally low tenders if the third sector gets its pricing/costing model wrong?

### Third sector tender scoping opportunity model

This model is used by many third sector organisations when assessing whether or not to tender for a contract. Buyers might find it useful to understand the mindset of the third sector in deciding whether they wish to enter into a procurement project.



**Community impact** – What is the impact of the contract on the third sector’s community? Will they benefit from the third sector delivering this contract?

**Contract price** – If there is an indicative budget, then has the third sector organisation any experience of delivering a similar contract? Will it make a surplus on the contract to support future business development? Is the contract sustainable if the third sector competes at those guide prices? Can the third sector organisation recoup its development costs? Are the margins high enough to deal with any unforeseen contingencies?

**Contract specifications and compliance** – Are there any areas where the third sector does not have the skills, expertise or experience to deliver? Can the organisation acquire those skills, expertise or experience to deliver quickly and cost-effectively enough to make this contract worthwhile? Can the organisation meet the compliance requirements for the contract?

**Cashflow** – How does the payment schedule for the contract impact on a third sector organisation’s cashflow? Does an organisation have the potential options to deal with any problems?

**Controls** – Does the third sector organisation have the right controls in place in terms of health and safety, financial management, HR information and so on? If not, can the organisation get them in place quickly enough to deliver the contract?

**Capacity** – Does the third sector organisation have the capacity to deliver the contract? Does it need to add additional skills and resources to its staff team? Does it have the organisational culture to deliver the contract?

**Catastrophe** – What are the risks related to the contract delivery? What are the implications of performance failure? Is the third sector organisation in danger of over expanding?



**Co-operation** – Can the third sector organisation deliver the contract in partnership with someone? Is a collaborative approach a better option? Will this help to mitigate risks or improve chances of successful delivery?

**Continuation** – How long is the contract for? What will be the impact on a third sector' existing operations? What potential opportunities might it open up? What happens when the contract finishes? What happens if it is not renewed? Is the contract sustainable in any case? How is it to be funded?

**Competition** – Who will the third sector organisation be competing against? Does it have a Unique Selling Proposition that would help it win the contract? How much innovation can the third sector organisation bring to the contract? Does the competition have more appropriate skills or expertise? Are competitors better at tendering?

### Conclusions

There is clearly a range of new opportunities for third sector organisations to create and enlarge their market activity in the UK (and beyond). The challenge for them today is to address creatively the social entrepreneurial processes that can develop these opportunities to ensure they create the best possible impact. There is tremendous scope for change and social impact on procurement contracts, service level agreements, commissioning and grant funding.

The main barrier to grasping these new opportunities appears to lie in the way many organisations view markets and third sector opportunities within markets. There seems to be a lack of recognition about the value and offerings of the third sector in supply markets and many organisations are effectively blind to the offerings of many third sector organisations. Conversely, conventional public welfare models and what is loosely called 'the citizens 'sector' (local authorities and health services mainly) have been wary of engaging with market mechanisms at all - though this is slowly changing.

The current focus on partnerships and consortia for delivery and innovation is a good thing, but alongside this it is essential to develop related partnership processes and mechanisms to manage the difficulties and tensions, as well as the opportunities, that can arise. Particular attention should be paid by client specifiers, procurement practitioners and support providers in project teams to ensuring good marketing practice and approaches in order to both meet and understand need and create sustainable activities.

There needs to be a much greater sharing of good practice and failures, as well as the development of useful processes and toolkits, before successful groupings and networks can become more than one-off examples. A refocus of management and employee practices is required in order to create space and time for innovative, strategic and organisational development, not viewing this as an added luxury.

More appropriate joint development of techniques and evaluation of services, business processes, products and outcomes is also required. This increased understanding can better support and inform innovation and contract delivery.

Third sector enterprises that combine an entrepreneurial flair and appetite for innovation and risk are well-placed to be pathfinders in this new opportunity landscape. By exhibiting creative thinking and implementation, policy makers and procurement professionals have the

opportunity to play a crucial role too, as the facilitators for third sector entrepreneurs to develop new futures in their expanding and changing markets.

### Hints and tips for buyers

Know your markets. Take a strategic and systematic approach to developing the supplier base, rather than a fragmented and reactive one

- Arrange 'Meet the Buyer' events at which third sector organisations can attend and freely discuss potential business opportunities
- Inform third sector of agencies that can help them. Federation of Small Business, Chambers of Commerce, National Council for Voluntary Organisations, Business Link, the Social Enterprise Coalition, the Plunkett Foundation, The School for Social Entrepreneurs, Social Enterprise London, Social Firms UK, local authority compacts and economic development departments and so on
- Produce a 'how to do business with' guide and circulate that widely. Ensure that this contains a best practice guide which contains advice on all of the stages of the procurement process
- Consider setting up specialist web pages or a website with information and tendering opportunities for third sector organisations.
- Don't guess at capabilities, abilities and capacity of third sector organisations. Find out. Talk to them
- Consider appointing a third sector procurement 'champion' in your organisation – a named contact point, a 'one-stop-shop' for advice, guidance, promotion, communications, strategy, dialogue, research etc. May not need to be fulltime, or could combine that with category management duties and so on

### Further reading

CIPS Knowledge Summary paper 'Purchasing and Supply Management: Collaboration between Organisations,' which gives useful information about joint procurement and commissioning models.

CIPS Knowledge How To on 'Effective CSR Implementation' which gives a good context for the third sector as part of the broader CSR picture.

CIPS Knowledge Works paper on 'Appraisal and Performance Monitoring of Suppliers', the Knowledge How To papers on 'Supplier Appraisal' and 'How to Appraise and Evaluate Tenders', all of which give sound generic information on these topics that might be useful in the appraisal and performance measurement of third sector suppliers and their tenders.

CIPS Knowledge How To on 'Purchasing Policy and Procedures' which gives sound generic advice which could be applied to the procurement of supplies and the procurement or commissioning of services from the third sector.

CIPS Knowledge Summary on 'Best Value' which usefully outlines steps buyers need to take to establish best value in buying from the third sector.

CIPS Knowledge Summary on 'Small Suppliers', many of the points incorporated would be useful in sourcing from the third sector.

There are several other CIPS papers in the four 'Knowledge' strands that have less of an immediate impact on buyers wishing better to understand procurement strategy as it relates to the third sector, but would be useful for additional background knowledge and information.

### Non-CIPS Material

"The Compact on Relations between Government and the Voluntary and Community Sector in England" (1998).

"Funding: a Code of Good Practice" by the Compact Working Group (2000).

"Consultation and Policy Appraisal: A Code of Good Practice" by the Compact Working Group. Both available from ([www.thecompact.org.uk](http://www.thecompact.org.uk))

"Government – Supporter and Customer" published jointly by the Better Regulation Task Force and the Small Business Service.

"Government: Supporter and Customer" by the Better Regulation Task Force and the Small Business Council (2003). Available from:

[www.brtf.gov.uk/taskforce/pastreports.htm](http://www.brtf.gov.uk/taskforce/pastreports.htm) "Getting Better Delivery: Guidance for Effective Working with Frontline Providers" by DfES (2003).

## Further reading

"Access to Government Funding for the Voluntary and Community Sector" by the Better Regulations Task Force (1998).

"National Procurement Strategy for Local Government" by the ODPM (2003).

"Better Value: the Social Economy Delivering Public Sector Contracts" by Communities Scotland (2006).

"A Vision for the Voluntary Sector – the Next Stage of Our Relationship" by the Scottish Executive (2004)

"McClelland Report on Public Procurement in Scotland" by Scottish Executive (2006).

"Tendering for Public Sector Contracts: a Practical Guide for Social Economy Organisations" available on: [www.socialeconomyscotland.info/equal/proc\\_advice.asp](http://www.socialeconomyscotland.info/equal/proc_advice.asp).

"Redefining the Social Economy" by Grimes and Maxwell, available on [www.scotlandeuropa.com/home.htm](http://www.scotlandeuropa.com/home.htm) (paper 12).

### Useful Websites

Department for Business Enterprise and Regulatory Reform (BERR): [www.berr.gov.uk](http://www.berr.gov.uk)

Department for Communities and Local Government (CLG)

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

Department for Children, Schools and Families (DCSF)

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

Department for Environment, Food and Rural Affairs (Defra) [www.defra.gov.uk](http://www.defra.gov.uk)

Department of Health [www.dh.gov.uk](http://www.dh.gov.uk)

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

Government Equalities Office [www.womenandequalityunit.gov.uk](http://www.womenandequalityunit.gov.uk)

Compact Working Group [www.thecompact.org.uk](http://www.thecompact.org.uk)

Federation of Small Business [www.fsb.org.uk](http://www.fsb.org.uk)

National Council For Voluntary Organisations [www.ncvo-vol.org.uk](http://www.ncvo-vol.org.uk)

Social Enterprise Coalition [www.socialenterprise.org.uk](http://www.socialenterprise.org.uk)

Business Link [www.businesslink.gov.uk](http://www.businesslink.gov.uk)

Plunkett Foundation [www.plunkett.co.uk](http://www.plunkett.co.uk)

School for Social Entrepreneurs [www.sse.org.uk](http://www.sse.org.uk)

Social Enterprise London [www.sel.org.uk](http://www.sel.org.uk)

Social Firms UK, [www.socialfirms.co.uk](http://www.socialfirms.co.uk)

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