



applied training and consultancy solutions

News Update Summer 2010

New Leapfrog Course

Our one day Negotiation and Persuasion course is being piloted with Barnardo's.

The course helps delegates understanding of communication theory and appropriate methods to build effective relationships with funders. It will help to improve their ability to prepare for and handle negotiations and develop win/win positions with funders. Practical skills include verbal communication, listening and one to one negotiation.

The Funding Environment

The emergency budget has been delivered and indicative spending announced. Headlines such as "Pain with more pain to come" and "the scalpel before the axe" did not make good reading. It appears that only Health has been protected with 25% reductions in central government expenditure elsewhere. The Comprehensive Spending Review (CSR) will be presented on Wednesday 20th October.

"In total, the cut in central government public services spending as a share of national income will more than reverse the entire increase we saw under Labour. We are looking at the longest, deepest sustained period of cuts to public services spending at least since World War II." (Robert Chote, Director of the Institute of Fiscal Studies).

Ben Wittenberg, DSC's Director of Policy and Research (www.dsc.org.uk) looks at the implications.

Costs will go up due to increases in National Insurance and, irrecoverable VAT burden. However there will be a consultation in the autumn to explore the possibility of VAT exemptions for charities sharing central costs, driven by a need to implement EU legislation on cost-sharing exemption.

There's going to be a single point of access for finding out about government contracts (such a good idea it's been had three times now).

The Cuts

Think of it like a trip to the dentist. You've just had the little injection to numb the area, it stung a little and feels a bit funny. In the other room the dentist is warming up his massive drill and pliers and preparing to wrench out half your teeth. That operation will come in the form of the Spending Review set for October this year.

Departments have also lost their End of Year Flexibility which could affect a range of sector focused projects. End of Year Flexibility is where departments commit to funding more work than they have money for, on the basis that there will be under-spend in other areas that can be used to finance them.

Is there any good news?

Actually there is a bit. Small charities stand to benefit from the changes to National Insurance, and changes to Capital Gains Tax could result in high earners giving more to charity.

Also, if you were thinking "what a load of rubbish" so far, you'll love the news that landfill tax will be increasing by £8 a tonne. This could be a real boost for environmental organisations because the tax is channelled through the Landfill Tax Fund in grants to voluntary sector organisations via Entrust, and is worth around £53million a year. The tax increase could make an additional £5million a year available.

Is there anything I should be doing?

Re-budget for next year to account for changes in costs - especially where you have multi-year funding arrangements that cross over any of the transition points for VAT, NI etc. It's worth contacting any relevant funders as early as possible to discuss potential issues arising from new costs.

You may need to change elements of your work as a result, or adjust specific outcomes, but where you will be incurring additional costs you need to be clear on how those will be funded. You may be lucky and be able to negotiate further funds, but if that's not an option it's a good opportunity to demonstrate to your funders that you're on the ball and are aware of what's going on. If you have to take costs on the chin and absorb them however, the more notice you have to plan for that the better.

Derek Smith considers some practical responses

The downside is a number of services will be cut completely at a time when unemployment and poverty may increase. The upside is that many more services will go out to tender especially through local authorities and regional bodies. This is consistent with a policy that seeks to move services to the not-for-profit and private sector. This is also supported by the development of local strategies such as that being developed by Lambeth which is encouraging local co-operatives to deliver services. It is also merging back off functions. Fulham and Wandsworth are merging Education departments.

Every organisation needs to respond strategically in order to minimise the risks and maximise the opportunities. Once you are clear about your strategy then organisational structure and business planning will need to be reviewed to ensure your aims are achieved. At the heart of this review will be your operational and fundraising capacity and capability.

Building capacity will always be one response but may not always be possible. A number of organisations have 'beefed' up their fund-raising, development, marketing and communications. Expect to have to spend more time on your future bids. Beneficiaries, objectives, prices, models of delivery, partnership requirement will all change. It is essential that your services reflect what the new regime requires. Bids for new areas of work, changing services, or in different geographical areas will require significant additional resources. This may be the best time for investing your reserves in capacity.

Building capability to meet the requirements of the future is essential as staff are your production mechanism. In the current environment where will your organisation build capability to ensure sustainability? What will the investment be and with what returns?

Not surprisingly, writing better bids is always likely to be one area where increasing capability can deliver results. Many bids I see simply fail to do the organisation justice. Common problems are: obvious cut and paste jobs, poor understanding of funder's needs and not enough evidence or clarity as to why they should be chosen over their competitors. Other common problems are a lack of understanding of outcomes and too little emphasis on the impact of collaboration and partnership. If all this is on top of a bid with poor design, lack of flow and coherence, then it's not surprising that the assessor can easily lose the will to live!

Managing your statutory funding, well is essential. Investing in delivery and fundraising capability can be a very cost-effective investment. Most organisations are familiar with competency-based assessments of staff - making sure that the right skills, knowledge and attitudes are in place. Yet many fundraisers have not been trained in the essentials of statutory bidding. Less than 10% of delegates attending our Effective Marketing and Contract Management course have had any previous training in this area. Delivery managers often have not been trained in customer relationship management, marketing or public relations even though they are best placed to cross-sell services.

In statutory funding, achieving your contracted objectives is the starting point. All too often it is seen as the end point. Within the sector, formal contract relationship management systems are in their infancy. Delivery teams will need to be focused on three areas:

One - building effective relationships with your funders so that they do not move to a competitor. Understand what your funder values now and what they will value in three years. Make sure you have the evidence of this in your delivery. Focus on understanding what gives you a competitive advantage.

Two - deliver more value for money and added value every year so that you increase your likelihood of being funded. Focus the team on delivering more efficiency and or effectiveness. I have yet to see a team motivated by reducing their budget by 10%! Delivering 10% more delivery time or supporting an additional service user is a more positive focus. Be careful though and do not make decisions without reference to your funders. Delivering much better outcomes will not necessarily help if they really want 25% savings on unit costs! Managers will need to take an impartial view as to whether the delivery model needs a radical overhaul. Tinkering at the edges rarely brings major benefits.

Three - turn your staff into marketers. Improve customer care, building trust, expectations, procedures and standards. Use your existing relationships to develop and sell existing and potential services. Too many staff are sent out into the field without the essential weapons of negotiation and persuasion skills. All staff can promote your organisation and build its reputation.

Some people seem to think that your brand and competitive advantage will be miraculously transmitted on its own. The first step is to understand customer perceptions. Next ensure your customers are aware of the benefits you provide, then transmit these benefits through consistent messages that all staff are committed to. One Chief Executive I worked with recently decided to test out what staff saw as their key messages. The messages were all very laudable, "responsive," "flexible," "service user focused" and could have been from any organisation. What was not being transmitted was the organisation's competitive advantage that separated it from its competitors.

NCVO - Big Society Analysis

On 18th May 2010 the new Government announced its initial plans with regards to the Big Society agenda. This was shortly followed by the publication of the Programme 'Building the Big Society', which outlines policies already agreed upon to achieve this ambitious agenda. But what do we really know about it and how will it work?

The general approach is one that emphasises social responsibility and community action. In practice, most of the proposals will be developed over the coming months, and some ideas are better worked out than others. See NCVO's briefing on the 'Big Society Programme'. The main themes that underpin the 'Big Society' are:

- devolving power to communities and local government;
- a greater role in public services for VCOs and other civil society organisations;
- supporting the voluntary and community sector.

But what will this mean in practice for our sector? What are the challenges and what are the opportunities? How will this agenda fit in with the severe public spending cuts due to be unveiled in the budget?

ACEVO Develops Cuts Watch Website

Cuts Watch provides information about cuts and sets out action that voluntary sector leaders can take as funders' budgets are reduced.

The website also has information on how organisations can negotiate with funders, challenge poor funding decisions and demonstrate their impact. The site will provide information about mergers and collaboration. There will be a section sharing examples of how organisations have demonstrated to the government ways of reforming services rather than making straightforward cuts.

CES - New Publication

Stella Smith at CES has produced a new publication Supporting Third Sector Organisations in Crisis - A guide for development workers. www.ces-vol.org.uk

Her three-stage approach looks at:

- Setting expectations
- Provide support
- Move on

New Standard for Business Continuity

A Business Continuity Management System Endorsed by Cabinet Office

The main threats to public sector organisations are the ones that prevent them from delivering services they are obliged to deliver. Basically, this means that in the event of an incident - whether the loss of IT, industrial action or supply-chain failure, right through to terrorist activity, extreme weather or a pandemic - you will have plans in place to resume 'business-as-usual' as quickly as possible.

In recognition of this BS 25999, Business Continuity Management System series of standards has been introduced. Certification to BS 25999 gives valuable confidence to stakeholders that, in the event of an incident, you will be able to recover and still deliver a service.

Updated Risk Guidance from the Charity Commission

The Charity Commission has issued updated guidance setting out the risks charities face in carrying out fundraising activities.

Charities and Fundraising (www.charity-commission.gov.uk) outlines the governance, financial, legal, operational and reputational risks that trustees should be aware of and advises them to compile written risk-management plans.

To book online or for more information on Leapfrog Consultancy and all our courses please visit our website www.leapfrogconsultancy.co.uk
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