

VCS PARTICIPATION IN ESF THROUGH THE LSC TENDERING PROCESS

Executive summary

PURPOSE

CEFET identified 81 *bona fide* VCS groups who succeeded in passing the LSC Pre-Qualification Questionnaire (PQQ) process in 2007. We sought to gain statistics, and insight, on their experience of the PQQ process, and the subsequent opportunity to tender. We also established data that would show how the sector compared with other sectors and with the sector's record in previous years. This comparison would then demonstrate if there are any unintended distortions inherent in the system, and help discussion on the relative success of the overall commissioning phase in fulfilling the aims of the ESF Framework.

RESULTS

The picture that emerges is mixed, but shows worryingly low levels of overall engagement, disquiet about partnership building, generally negative experience of the system, and overwhelming lack of confidence in the decision-making.

The commissioning phase alone has led to a decrease in confidence in the relevance of the LSC interpretation of ESF; and this, compounded by the debacle over how the sector's input into the Framework was (mis)handled last year¹, means that confidence in the system is at a very low ebb. Perception is now that the ESF systems are not aimed at helping the hardest-to-reach. Opinion seems divided over whether this is due to error and misunderstanding (an intellectual problem) or if, covertly, the systems just don't care about the excluded (a political problem).

Key findings are:

- The PQQ system itself had overall satisfaction from users usually, but only just; in the 60% range (bear in mind this is a survey of organisations that got through). Except the Bravo system which only 42% thought fit for purpose.²
- Only half of the organisations that got through PQQ felt able to respond to invitations to tender.³
- Only 15% of VCS tenders were successful (This is comparable to other regions, but is it comparable to other rounds or other sectors? We know success rates under open bidding were sometimes over 50%).⁴
- 60% of those participating in the tendering process thought it unfair.⁵
- Those not tendering in their own right, but "partners" under other agencies' bids, had serious misgivings about their position.⁶
- Over half felt that the way selections were made was unclear – or worse.⁷
- 80% felt that feedback was unclear or inadequate.⁸

¹ See Annex 2 - attached

² See Annex 1 - § 2

³ See Annex 1 - § 3 & 4

⁴ See Annex 1 - § 3

⁵ See Annex 1 - § 6

⁶ See Annex 1 - § 5

⁷ See Annex 1 - § 5

⁸ See Annex 1 - § 5

CONCLUSIONS

There is undoubtedly a growing perception in the VCS, especially with smaller community-based agencies that are closer to disadvantaged communities, that the ESF system is – in the words of more than one respondent – “stitched up”; that painstaking research, rigorously evaluated experience, and expressions of need from the sector have been ignored; that the system works to the disadvantage of smaller groups; that pre-determined activities and, to some extent, pre-determined delivery bodies have been in mind from the start and that transparent, fair access is a sham.

No doubt some of this perception is misapprehension and rumour, but unfortunately not all. In any event significant work has to be done to dispel the perception and to ensure the system is able – and is seen to be able – to design and select activity that will deliver the headline aspirations of the fund.

A significant problem is the issue of Community Empowerment. The sector felt its views on Community Empowerment were falsely represented and ignored in the consultation last year. In the course of conducting the survey the single most frequently occurring question raised *with* us (not by us) was “Whatever happened to Community Empowerment?” The impasse last year was resolved because the CFOs assured the RMC that Community Empowerment would be a prominent part of their programmes. It therefore seems timely now to ask them to identify and quantify those activities, and show how they have made good on this promise.

Suggestions for improvement arising from this survey include:

- Longer turn-around times
- Partnership brokering support, including resourced “ombudsman” service to ensure smaller organisations are real partners.
- Strategic input from the sector, on an equal partnership basis, in designing tender specifications... especially in Priority 1.
- Strategic input from all partners in designing formal scored assessment systems, which are put into the public domain at the opening of the tendering round and not varied; that the scored ranking of bids be binding in the offering of contracts, and results be in the public domain.
- Published, verified statistics on the relative success rates of the sector (and sub-sectors across the Equalities categories) in securing contracts.
- Publication of a community empowerment audit⁹ for the current set of actions once contracts are fully let.

With these improvements the sector would have the confidence to invest time, energy and resources in a system that seems to be “going away” both from them and from the target groups of the fund itself.

⁹ Including the design, assessment and measurement methods identifying the actions, and plans to monitor actual activity.

Annex 1

Survey Results

1 Overview

CEFET conducted a web-based survey of Third Sector organisations on the Pre-Qualified LSC list about their experience of the PQQ and ITT systems for securing ESF funds in the 2007 tendering round.

Respondents were asked to complete an on-line questionnaire on a variety of issues, and given the space to append textual remarks on each subject. Respondents who preferred were able to complete a hard-copy or dictate responses over the phone.

The survey covered base data such as the organisation's details and their previous success rate with ESF. Then there were sections dealing with their experience of the PQQ system (remember this is a survey only of those that *passed* PQQ); their record of responding to the subsequent ITTs and their results; their reasons for not responding to ITTs; their experience as partners in consortia under another organisations' lead; their overall experience of ITTs; the impact of the decisions and their knowledge of other Third Sector groups.

The response rate, from a total population of 81, was 53%.

The results in each section are summarised below:

2 PQQ

As one might expect from a population that had dealt with it successfully, a majority felt the PQQ process "fair and suitable". Perhaps it is surprising that the percentage (65.8%) approving was so low. Similar figures expressed approval of the PQQ event and general availability of information.

However, only 42% of respondents felt that the Bravo online system was ***fit for purpose***. Comments repeatedly included remarks like "confusing", "unclear" and "nightmare".

Overall satisfaction with the whole process ran at (only?) 52%. In addition many questioned the idea of a PQQ system *per se*, feeling the effort not worth the result. Furthermore many questioned if such a system unfairly affected small, low-IT organisations both in conception and in turn-around times. This last view has been cited informally to CEFET countless times as a reason for non-participation in the system.

3 ITT Record

We asked organisations who had passed through PQQ whether they proceeded to respond to ITT. We found only 49% of those organisations passing PQQ responder to Invitations to tender, with 29% of those organisations putting in fewer ITT responses than envisaged. Overall this means 51% of eligible organisations were fully and 14% partly deterred from seeking ESF funding in the way they originally planned.

Of those able and willing to make ITT responses, only 15% of tenders were successful. We know this conforms with experience in other regions, however (at the time of writing) the LSC has not yet released figures on overall, or sector by sector, success rates. Notwithstanding this lack of information the sector views this level of success as alarmingly low.

4 Deterring Factors

A range of reasons were given by organisations as to why they failed to go through with an intended tender. Most common reasons given concerned the large size of the tender both in terms of the range of actions (48%), and/or organisational capacity (33%) and/or finance (33%). Other reasons also included lack of fit with tenders (44%); inappropriate specification for the target group (11%) or judgement that partnership bids would be more likely to succeed (33%).

Textual responses were overwhelmingly (90%) on the subject of the size of tender, with most respondents getting the impression that large organisations or “super-partnerships” alone had a chance, or that the scoping of tenders was so large that specialist provision for specialist needs was lost. Terms like “disenfranchised” and “squeezed out” occurred repeatedly. Whatever the formal rules, there is no doubt that a perception has developed that large projects and large partnerships were sought. In some cases this was accentuated by lead organisations, some of whom, according to text submitted in the survey, exerted pressure on organisations not to bid independently

It is worth noting that only a third of those interested in applying, but unable to do so directly, took up the option to enter a partnership (for their experience see below).

5 Partnership

Although 52% of organisations involved as partners in consortium proposals led by another body said they were content with the overall partnership arrangements, every single one of those expressed at least one serious reservation, with the following 3 comments typical:

1. “This is better than nothing, but we have no great expectations”
2. “We have been named in this bid but we expect to get little or nothing”
3. “We are in this bid, but we have had no input/information in the design or structure”

Of those *content* with the partnership, 24% cited reservation 1); 41% reservation 2); and 35% reservation 3).

The 48% who were **not** content generally feel named without involvement, information or any part in defining their role. They may be in a Consortium bid, but they definitely are not in a *Partnership*. 38% of these organisations now find themselves in a Consortium project and await developments. The other groups, now sceptical of the entire enterprise, felt constrained, or forced without proper discussion, into a Consortium bid, and/or felt time so short that they could not define their own role.

Given the emphasis that the LSC themselves put on Partnership building, consortia and sub-contracts in solving access problems for specialist small-scale delivery – these concerns are worrying developments.

6 Overall Experience of ITT

Overall opinion of the whole tendering process is poor. **60%** those involved think the process unfair.

In addition 69% thought Bravo added difficulty to the system.

Only 46% thought that there was clear information on how tenders would be selected.

On the subject of decisions, respondents were very dissatisfied. Only 20% thought the explanation of decisions satisfactory. Feedback was thought to be (for example) “unclear”;

“inadequate and self-contradictory”; “faceless”; “minimal”; without identification of “weak points as a basis for improving”. Several respondents claimed requests for further clarification have been unanswered.

Furthermore there is considerable unrest that the system is not transparent, with several respondents asking why scoring systems and scores are not published. At least three organisations have claimed they have reason to believe that the approved bid was less suitable than their own in relation to the explicit aims of the tender and the tender questions. While CEFET has no way to interrogate these claims they will persist unless there is a clear, fixed, objective and *published* assessment system, and published results.

7 Impact

Whilst incidental to the process of Invitations to tender, CEFET took an interest in the impact of failure to secure ESF funding through the sector. 5 Organisations face closure, while another 15 report cessation of activity of a particular kind. A further 15 report diminution of activity.

Organisations facing closure or cessation of a specific service reported that, in the main, their activities related to a particular disadvantage. Cited explicitly were disability (including specific groups such as deaf and deaf/blind people); BME (again including specific groups such as Asian Women), and young people with multiple problems or “who do not respond well to conventional provision”.

8 Overall conclusions

While some dissatisfaction with a system that has more “losers” than “winners” is to be expected there seems very substantial perception that the system is unfair. This perception seems to have several elements but focuses on a few factors.

First of all is the historical hangover from the way the sector is treated after the Framework Consultation when views explicitly solicited were ignored on a false premise. This calls into question the good faith of what appears from the outside as a single closed system.

Secondly, the defining of tenders seems driven towards big, multi-purpose contracts, militating against specialist delivery. This is interpreted by almost everyone as being concerned with managerial expediency rather than excellence in delivery. The proposal that this expertise can be fed into bigger contracts is, in current circumstances, greeted with a scepticism bordering on derision.

Thirdly, and related to the above two considerations, is that the sector’s expertise and experience in strategic shaping of the Programme... from the Framework to specific Tenders...is not given any space to input. This leads to scepticism that those managing the Programme really perceive (or really care about) the needs of those furthest from the Labour Market.

In CEFET’s view these extremely difficult perceptions can only be overcome by a series changes exemplifying the following principles:

- Absolute transparency and frankness about actual results and a willingness to take on responsibility for the outcome of the programme processes.
- Openness in the strategic stages of the Programme to use the expertise of the sector to identify the needs of, and scope answers for, excluded and disadvantaged communities.

Practical proposals are outlined in the Survey Summary.

Annex 2

The Regional ESF Framework “Debacle”

In Summer 2007, in preparation for the new ESF Programme, a Consultation was held on the Regional ESF Framework, the document which serves as a Regional Plan, under the National Operational Programme, for delivering ESF in the East Midlands.

In many ways the new ESF Framework (which runs initially until March 2011) replaces the “Regional Development Plan” (RDP) which governed ESF in the 2000-7 Programme.

A Partnership group (RESPE) was set up to oversee the consultation and final drafting, with CEFET as a VCS representative. However actual writing of the Framework was delegated to the ESP, the regional Skills Partnership. This served to exclude the sector from the process because their drafting group did not include any VCS representation, despite CEFET’s CEO three times offering to serve, twice in public meetings. There is still no Third Sector representation on the ESP itself.

The Consultation – quite properly – reflected on the fact that the outgoing programme attributed Policy Field 2 funds (25% of the total) under a “Community Empowerment Strategy” in the RDP. It stated that the strategy “was perceived as a success in the region”.

This section was then the subject of a specific question in the consultation: ***“What are your views on the use of a community empowerment approach for some of the activity within Priority 1? How significant a part of Priority 1 should this be when it comes to allocating funding?”***

Quite naturally the sector took a great deal of notice of this question and, under CEFET’s lead, mobilised to respond. Over 200 VCS groups were consulted on a response, and 80 attended a special conference on the matter. There was unanimous agreement on a model for the Community Empowerment strategy, and that £28m should be allocated to this strategy, approximately 18% of total ESF. Several well-researched strategic responses were made, representing nearly 300 Third sector agencies, many of whom also endorsed the strategy directly.

However, despite all the documentation put before RESPE (an outline of the consultation, a discussion of the issues and the redrafted Framework), only a single paragraph refers to the issue:

“The VCS made a number of representations regarding the allocation of 2.5% of Priority 1 funding for community empowerment (sic) approaches. A number of VCS organisations submitted the same response arguing for a substantial increase (sic) in the level of funding under Priority 1. However the 2.5% allocation is the maximum permitted nationally so the drafting makes clear that this is the case.”

First of all this is based on wrongly confusing **Community Empowerment**, a comprehensive strategy, distinctive and highly successful in the East Midlands, for engaging those who otherwise will not be engaged, with **Community Grants**, a very specific Small Grants fund within ESF. **Community Grants** are limited to the figure given (2.5% of Priority 1) – which was 1% of all ESF in the last Programme. Secondly the Consultation *had* explicitly invited views on the value that should be given to **Community Empowerment** activity in the new Programme when it asked the question ***“How significant a part of Priority 1 should this be when it comes to allocating funding?”*** By attributing a limit to it the redrafted Framework disregards all views submitted as part of the consultation.

This alarming and inexplicable mistake was acknowledged as such by RESPE. But it has, in fact, much deeper implications:

- There is no record of the sector's substantive views on the issue having been considered.
- There is, therefore, no record of any rationale as to why the Framework was not amended in the light of those views.
- There is an apparent disregard of both the sector's views and the implications this has for the sector.

During the consultation CEFET found that second only to support for the Community Empowerment model was a scepticism (again running to hundreds of organisations) that any VCS view would be listened to. CEFET countered this by citing the question quoted above ***“What are your views on the use of a community empowerment approach for some of the activity within Priority 1? How significant a part of Priority 1 should this be when it comes to allocating funding?”*** as evidence that we were being invited to help shape the Framework.

It is therefore impossible to overstate the impact on the fragile confidence the sector has in ESF of this appalling failure to listen to its views on a subject which it is an expert on.

Many feel that at best it betrays a profound lack of understanding, and at worst an attempt, under false pretences, to constrict bottom-up activity to a tiny corner of the new Programme.

Faced with these conditions the sector did not sign off on the Consultation, and was only persuaded to support the Framework on specific conditions.

- That the RESPE Chair (and new Chair of the RMC) would write to all CFOs and secure their undertaking that they would make full, significant use of Community Empowerment approaches in their actual activity.
- That a paper logging the issues and formalising this commitment would be prepared and put before the incoming Regional Monitoring Committee.

The first point has been met, according to reports from GOEM, but the RMC has seen no such paper.

It would be quite foolish to imagine this controversy is in the past. In the recent survey of Third Sector Organisations interested in tendering to the LSC, the state of play with Community Empowerment was the single biggest strategic issue raised by respondents.

As the original Chair of the RMC put it - “the proof of the pudding will be in the eating.” The argument made is that, rather than intrinsic to the Strategic Framework, Community Empowerment approaches will be part of the practical implementation of the Programme. The sector has been waiting for a year to see if this is in good faith. We are still waiting.