

THE SNOW PROJECT

TIPS AND TOOLS

Bradfield Nyland Group

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1 The SNOW Project: Overview and Action Plan

The 'Small Non-government Organisations Working Together' (SNOW) project was developed as part of the Mt Druitt Community Solutions and Crime Prevention initiative. The project was overseen by a Reference Group drawing representation from government agencies, local government and non government organisations. The Metro West Region of the NSW Department of Community Services was the budget holder for the project.

The project was designed to explore the strengths, issues and challenges facing smaller non government organisations (NGOs) in the Mount Druitt/Blacktown area and to work with small NGOs in the Blacktown area to identify a range of strategies that would support small NGOs, and assist them in developing and enhancing their potential.

The project:

- researched the resource and development needs of small NGOs
- researched the financial viability of small NGOs and minimum income levels for organisations and projects
- facilitated debate and discussion between small NGOs and the Department of Community Services (the SNOW 'Dialogue')
- explored ways that small NGOs can make changes or work with one another, to enhance their viability and capacity
- identified tools and resources that could assist them in this work
- identified action that government could take to support the diversity of the service provider sector

In addition to the 'Tips and Tools' document, the SNOW Project produced two reports:

- On the Front Foot: An Action Plan for Small NGOs – Report of the SNOW Project
- Waving Not Drowning: Staying Afloat as a Small NGO - Report of the Viability Research Project.

The Executive Summary and Action Plan from 'On the Front Foot' are included in 'Tips and Tools'.

The content of the SNOW reports and related material is drawn from research, data collection and consultations conducted as part of the SNOW Project, and represents the findings of the consultants, Bradfield Nyland Group and the work of the SNOW Reference Group. The information provided in these reports is designed to assist both non government organisations and government agencies in their respective roles in providing community services. The content of the SNOW reports and related material should not be interpreted as representing a policy position of any government agency.

ON THE FRONT FOOT: AN ACTION PLAN FOR SMALL NGOS

Executive Summary of the SNOW Project Report

The information presented in the main SNOW Project Report represents discussion and findings from existing literature, consultation workshops with small non government organisations (NGOs), and the SNOW 'Dialogue'. SNOW workshops in particular identified a range of specific issues and potential strategies to assist and support small NGOs. The SNOW 'Dialogue' brought together the perspectives of both NGO and government workers on issues relevant to both agency groups.

Issues for small NGOs

There are three issues identified that require attention in order to develop strategies to assist small NGOs to remain strong and viable contributors to communities and community services:

- ❑ The way small NGOs are viewed and valued: Small NGOs need to be 'repositioned' strongly and positively as viable alternatives to very large agencies, and a 'level playing field' established.
- ❑ Addressing the specific difficulties in the current funding environment that appear to disadvantage smaller NGOs, and assisting them to plan for realistic income levels.
- ❑ Ensuring the ongoing viability of smaller NGOs, and addressing the four critical areas of financial management, administration systems, governance and personnel management.

Strategies for NGOs

Participants in the SNOW project identified a number of strategies that small organisations can implement for themselves, many of which they are already engaged in. The key strategies are those that will:

- ❑ Position small organisations individually and collectively in a positive manner, highlighting their contribution to the community services sector and to the development and maintenance of social capital, and emphasising their capacity and potential as funded service providers.
- ❑ Improve the financial viability of small organisations, through:
 - negotiating manageable funding processes that ensure small organisations are not at a disadvantage
 - including full costs in project submissions and negotiating the coverage of full costs in ongoing funding

- developing the financial management skills and systems of small organisations.
- ❑ Review and streamline systems and processes for administration and human resource management.
- ❑ Continue to provide benefits from collaboration with other organisations

NGO resource agencies and networks, such as peak bodies, regional community forums and networks, and local interagency groups, have a role to play in supporting the process by:

- ❑ Providing the coordination for local initiatives and projects that can be conducted without additional resources, particularly assisting collaborative ventures across groups of small NGOs
- ❑ Identifying local initiatives and projects that require additional resources, locating and negotiating funding or sponsorship sources
- ❑ Including specific topics related to small NGO viability in activities such as training programs or resource material production
- ❑ Identifying local resources and providing information on low cost suppliers of services such as IT support.

Strategies for Government

There is a limit to what small organisations can do for themselves, without additional resources, and there are a number of key strategies that Government could consider that would support and enhance the viability and productivity of small organisations:

- ❑ Funding the capacity building activities of regional and local resource agencies
- ❑ Reviewing and refining purchasing policies, addressing:
 - Cost structures, particularly for projects
 - The apparent tension between competitive tendering, and the development of relationships with NGOs as 'community partners'
- ❑ Developing and implementing cost containment strategies:
 - Assessing and limiting the impact of government legislation, policies and practices on the costs of small NGOs, including impact analyses for government initiatives that are likely to affect the costs of small NGOs and continued work on cost containment, particularly in insurance, including workers compensation

- Supporting the supply of low cost products and services, including identifying and funding feasibility studies and development work on suitable potential group purchasing schemes, and investigating mechanisms for locating and developing appropriate professional low cost rental premises options for NGOs
 - Developing a coordinated electronic information strategy for the circulation of government information and communication with NGOs
 - Implement standardisation of funding administration following the NSW Government Grants Administration Review, commencing with local area piloting with small NGOs managing multiple projects
 - Considering ways of offsetting the costs to small organisations of time spent by their staff participating in government reference groups or working parties
 - Offsetting increases in costs by increased funding
- Ensuring NGOs have access to skill development opportunities, including financial management, project management and tender preparation
- Providing funding for the development of specific initiatives, including:
- The coordination of access to existing, or development of new core tools, resources and training options for managing funds, managing collaborative relationships, and to assist with key operational functions
 - The coordination of pro bono specialist assistance (for example pro bono matching schemes, pro bono management clinics)
 - The development of reasonably priced bureaux services (providing IT and other back office support on a fee for service basis)
 - The provision of professional advice for systems analysis, review and building
 - The development of communication systems that enable efficient networking, information exchange and peer support (such as intranets and electronic noticeboards).

Summary action plan

The strategies and recommendations outlined above reflect four core components in an action plan to support and maintain the viability of small NGOs:

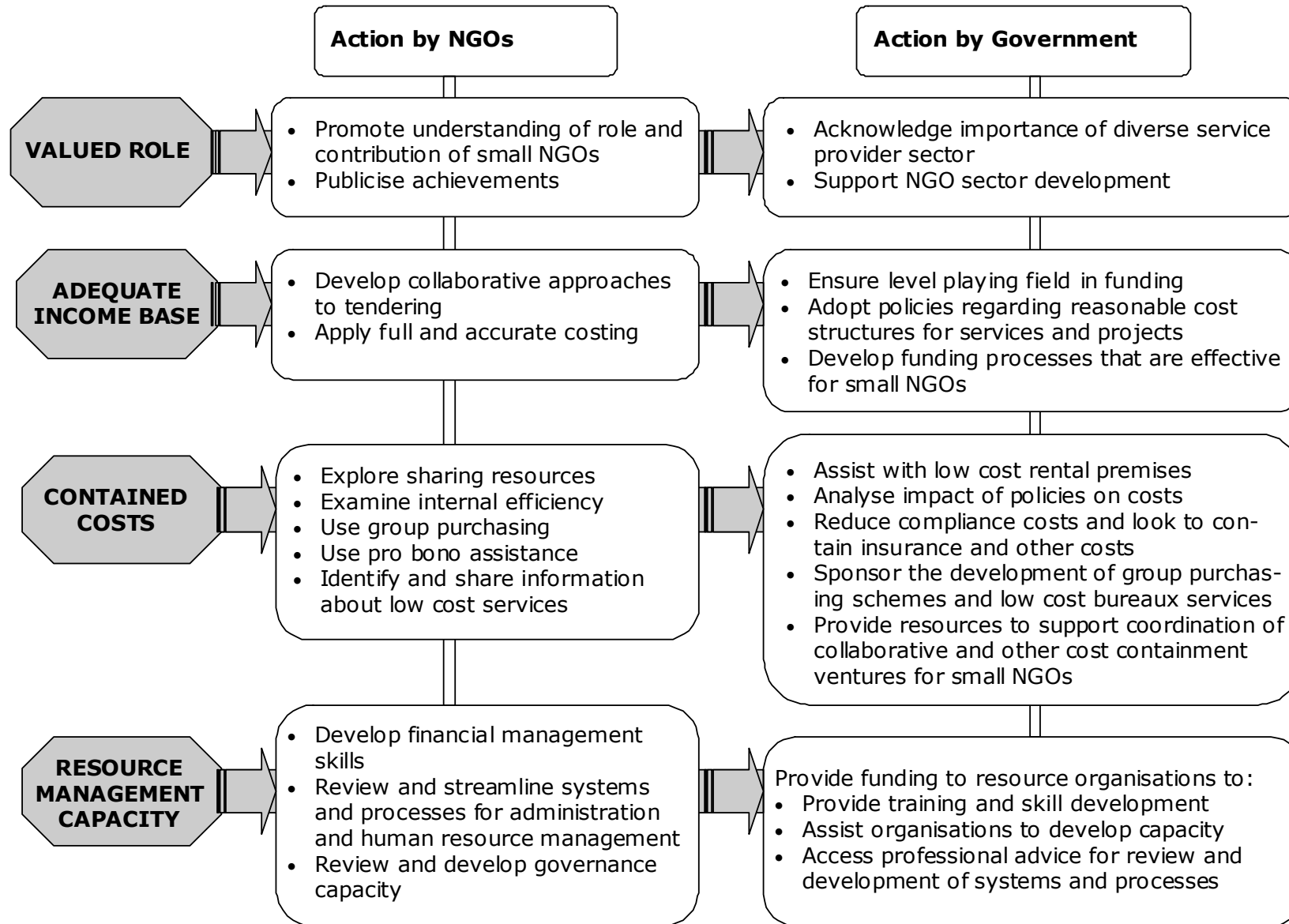
- **Valued role:** Ensuring that the capacity and potential of small NGOs is understood and respected
- **Adequate income base:** Ensuring that small organisations have the capacity to attract and allocate resources in a way that supports their sustainability

- ❑ **Contained costs:** Ensuring that costs for small NGOs are minimised
- ❑ **Resource management capacity:** Ensuring that small NGOs have the skills, systems and support required for effective resource management.

The action plan on the following page outlines the range of action that can be taken by NGOs, and by Government. This action plan, along with the details in the report, is designed to provide a guide for any interested agency – Government or NGO, state-wide, regional or locally based – to identify actions or projects that might meet the needs of their area or constituent group.

The action plan can provide a starting point for identification of local projects or initiatives.

SUPPORTING AND MAINTAINING THE VIABILITY OF SMALL NGOS



2 Preparing tenders and 'Expressions of Interest' (EOIs)

Tenders, or 'expressions of interest' are submissions for funding that compete against other tenders for the contract to conduct a project. The difference between this approach and a 'funding submission' approach is that the project has been determined by the 'purchaser' (funding provider), and the organisation applying for the funds needs to argue that they are the best likely provider, rather than preparing a case to argue for the funding of a particular project.

Beyond this, many of the principles for what makes for a successful tender or submission are the same:

- 1. Identify what the funding provider wants or needs:** There will be written information on the specific requirements for a project, or parameters for a funding grant, but it is important to also:
 - read any related information, such as policy documents, plans or reports
 - talk to representatives from the funding provider about the aims and requirements

Ideally, you need to know:

- why the funding or project has been developed
 - what outcomes the project needs to produce
 - whether there are particular models, practices or approaches required or preferred
 - what the preferred time frame and budget is
 - the criteria that will be used to select the successful tender
- 2. Design and cost the project:** Work out how you believe the project should operate, how you would run it, and what this would cost. If the real cost is likely to be greater than the available funds, then you may need to adjust the project design, or identify ways of reducing costs. Consider possible project partners, and alternative approaches to the project.
 - 3. Write the tender:** Often a call for an expression of interest, or a 'brief' for a project, will list the information that is required in the tender document, or even provide a format to be followed. The following table shows the common components, and what each section should tell the funding provider:

Section	Purpose	Information
Background/Context	To demonstrate your understanding of the project, the background issues and how the project might address identified issues	Identify the key issues that relate to the project and any particular knowledge or understanding that your organisation has
The project: tasks, outcomes, deliverables	To demonstrate your understanding of the aims of the project and specific requirements involved	The project specifications and any additions or changes you are proposing
Methodology/proposal	To explain how you will conduct the project, and how this will produce the outcomes required	<ul style="list-style-type: none"> ▪ general approach and philosophy ▪ specific tasks and activities that will be carried out ▪ how these relate to specific outcomes ▪ time frames ▪ target groups/client groups (who will be involved, receive services etc) ▪ expected level of service (service numbers, targets etc) ▪ monitoring and evaluation processes
Expertise of the organisation	To demonstrate that your organisation has the expertise and resources to conduct the project	<ul style="list-style-type: none"> ▪ brief background and overview of the organisation ▪ brief description of the key aspects of the organisations expertise experience and resources that are relevant to the project (using any selection criteria that are relevant) <p>Use an attachment to provide any more detailed information, such as descriptions of other projects, experience or qualifications of staff, organisational reports etc</p>

Selection criteria	Demonstrate that you meet all the criteria	Report against each item in the list of selection criteria (this can be done by referring to other parts of your tender document where you have already addressed particular items)
Budget	To show the costs of purchasing the project or service from your organisation, or, where there are fixed budgets, how you will allocate the resources <i>and</i> To demonstrate financial management capacity	<ul style="list-style-type: none"> ▪ the breakdown of projected expenditure against specific items (these may be specified in the brief)
Conditions of business	To explain any particular conditions that you wish to have included in the contract	<ul style="list-style-type: none"> ▪ specific conditions that your organisation requires

Tips:

- keep the information brief and to the point
- use diagrams and tables to summarise information and present it in an accessible manner
- show clearly and precisely how you will conduct the project
- explain clearly why your organisation is well placed to manage the project competently

Two useful publications:

- **NSW Council of Social Service (NCOSS):** Shifting Ground: Competition and tendering in community services
- **South Australian Council of Social Service (SACOSS):** Tendering Handbook

NSW Communitybuilders site has guides to submission writing that can also be applied to writing expressions of interest:

http://www.communitybuilders.nsw.gov.au/finding_funds/submissions/

3 Checklists for setting up a collaborative venture or consortium

Steps involved in developing a partnership or consortium:

- Identify and assess potential partner agencies
- Conduct risk assessment on proposed venture with the partner/s
- Develop partnership agreement

1. Selecting partner agencies: assessment of [insert name of potential partner agency/ies]		
Item to consider	Item checked	Notes
Activities or services are complementary to our activities or services	<input type="checkbox"/>	
Has similar interests and objectives to our agency	<input type="checkbox"/>	
Has similar values and ethics to our agency	<input type="checkbox"/>	
Provides high quality activities or services	<input type="checkbox"/>	
Is well regarded by clients, community and funding providers	<input type="checkbox"/>	
Would provide the following to our endeavours: <ul style="list-style-type: none"> ▪ Expertise ▪ Labour time ▪ Credibility, profile or contacts ▪ Physical resources ▪ Funds ▪ Administration/coordination resources ▪ Other: 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	

2. Risk assessment		
What could go wrong? (list all areas of risk)	Impact (identify the impact of each item on the agency)	How could this be prevented or impact minimised?

3. Partnership agreement		
Item to consider	Item checked	Notes
Clear and agreed purpose for the partnership	<input type="checkbox"/>	
Clear limits to the partnership	<input type="checkbox"/>	
Time frame for the partnership agreement	<input type="checkbox"/>	
Procedure for renewal of partnership agreement	<input type="checkbox"/>	
Allocation of roles and clear understanding of each partner's legal responsibilities	<input type="checkbox"/>	
Identification of contributions to be made by each partner	<input type="checkbox"/>	
Identification and allocation of tasks and time frames	<input type="checkbox"/>	
Identification of potential conflicts of interest, and agreed procedures for avoiding these	<input type="checkbox"/>	
Procedure for reviewing and evaluating the partnership	<input type="checkbox"/>	
Procedure for handling disputes	<input type="checkbox"/>	
Procedure for dissolving the agreement	<input type="checkbox"/>	

4 Developing a project budget

There are two key factors in planning and managing the finances of individual projects within an organisation:

- The financial planning and assessment of individual projects
- Maintaining the balance between the resources allocated to the central administration and management of an organisation and the individual projects, through the accurate costing of 'core' or infrastructure activities.

Assessment of potential projects

In order to assess the advisability of taking on a particular project, the organisation should:

- Analyse the reasons for considering a project, and conduct a feasibility analysis before submitting for or accepting projects
- Ensure that all projects pay for themselves, including the 'core' costs that they generate.
- When taking on a project that will not cover its own costs, ensure that the subsidisation of this project is costed into the budget, and use a costing system that distributes this fairly across other projects.

Budgeting projects

In order to ensure financial viability for individual projects, and for the organisation overall, it is necessary to fully cost them, which includes costing in the activities and supports that are provided to that project by the organisation.

1. Estimate staff costs: These consist of the base wage plus:
 - Long Service Leave (LSL): 1.7% of gross wage
 - Annual Leave Loading (ALL): 1.5% of gross wage (standard 4 weeks leave)
 - Superannuation: 9% of gross wage
 - Relief staffing if required: 13% of gross wage
 - Workers compensation: 1 -2 % of gross wage
 - Staff development/training: 1.5% of gross wage
2. Estimate the share of common operating costs in the use of central facilities (such as electricity, photocopy use, cleaning, amenities, rent etc). If these are not known, a rough guide to these costs for a common project is:
 - Rent: Under 5 staff: 8 - 10% of staff costs/5 - 10 staff: 5 - 7% of staff costs (in 2004 figures, \$2,000 - 3,500 per staff person for rent)
 - General operating expenses: 12% of staff costs
 - IT support: 1.5% of staff costs (in 2004 figures, \$670 per person)
 - 1.34% of total staff costs for insurance

3. Estimate program or activity related costs, including set up costs, staff travel, program running costs and equipment
4. Estimate the costs of the additional workload in central management, coordination and administration that will be created by the project. For multi project organisations, or the development of a project budget, a guide would be:
 - 5 hours of coordination or management per project per week: This is equivalent, on average, to between 8-11% of staff costs (wages plus oncosts), or 5 – 7% of the total budget of a common project or service (where staff costs are about 60% of the total budget).
 - 4 hours per week of administration: This is equivalent, on average, to around 15% of staff costs or around 9% of total budget for a common project or service.
 - 2.5 hours per week for bookkeeping: This is equivalent, on average of around 5% of staff costs, or 3% of total budget.
 - External supervision if required for clinical or case management issues: \$2,600 per staff member or group

Item	Costing Guide	Notes
Salary	New staff position: Top Year of Grade Existing staff position: Current level	A new position may have to be offered at the top level of the Grade
Increment	Allow for increment at next Year of Grade + 3% wage increase	
LSL/ALL/Superannuation	12.20% of wages	
Workers Comp	2% of wages	Allow more if work is high risk or has had a prior claim
Coordination/management	8 -11% of staff costs or 5-7% total budget	
Administration staff	15% staff costs or 9% total budget	
Bookkeeping	5% staff costs or 3%total budget	
Staff development/training	1.50% of staff costs	
External supervision	5% of Grade 5/6 salary	
Rent	Under 5 staff: 8 - 10% of staff costs 5 – 10 staff: 5 – 7% of staff costs	Varies depending on availability of suitable premises
Operating costs	12% of staff costs	Currently \$5000 per EFT staff person
IT Support	1.50% of staff costs	Currently \$670 per computer or staff person
Insurance	1.34% of staff costs	
Staff travel	Estimate, based on requirements	
Program costs	Estimate, based on requirements	
Equipment	Estimate, based on requirements	
Set up costs	Estimate, based on requirements	Set up costs for a new project include recruitment, furniture, and equipment

5 Reading the organisation's financial situation

The true financial position of an organisation is read from the information in the annual audit report. The key document is the Balance Sheet. This shows the total worth of the organisation. The total worth of the organisation is what is left after:

- the value of all **liabilities** (amounts owed by the organisation)

is taken from

- the value of all **assets** (what the organisation already has, or what is owed to it).

This is called the Accumulated Funds or the Retained Surplus, or (sometimes) Residual Equity (Re).

Assets - Liabilities = Re

Assets: are made up of Current Assets (cash, or items that will convert to cash within the next financial year) and Fixed Assets (usually equipment or stock). If the organisation is owed money (including grants that belong to that period, but which have not been received), these are listed as assets.

Depreciation: is the loss in value of the fixed assets. It appears as an item of expenditure in the statement of income and expenditure. It is best thought of as a rough representation of the liability to the organisation were it to replace these items - which may be dealt with by maintaining a provision for replacement in the actual liabilities section of the balance sheet.

Liabilities: most community organisations have three major types of financial liability:

- staff (long service leave, accumulated holiday leave loading, any other award or contract provisions that would need to be paid out should staff leave)
- equipment replacement funds
- funding in advance.

The Retained Surplus does not, by itself, tell the organisation how healthy it is. This must be read by looking at the following:

- **The annual income and expenditure statement** - comparing the year with the previous year, what has changed in the individual items and how does the surplus or deficit for the year compare? What

appears to be the trend? When considering the surplus or deficit, look at the impact of depreciation, as this is not something that has actually been cash expenditure.

- **Liabilities and fixed assets** - what is the real situation here? Have you put away a realistic amount for equipment replacement, are any grants in advance listed, and are your staff liabilities accurately estimated?
- **Cash at the bank (from the balance sheet)** - how much money do you actually have? Take away from this amount the liabilities (making sure that any grants your organisation receives in advance are listed). This tells you how much 'real money' you have.

Example: Balance Sheet

Assets

Current/cash at Bank:	359,800
Non Current (Office equipment and motor vehicles):	47,700

Total Assets: **407,500**

Liabilities

Debts	7,100
Grants in advance	125,200
Annual Leave	8,200
Provision for relief staff	40,000
<u>Total Current Liabilities</u>	<u>180,500</u>

Long service leave	28,000
Equipment replacement	42,500
<u>Total Non Current Liabilities</u>	<u>70,500</u>

Total Liabilities: **251,000**

Surplus Funds: **156,500**

The 'surplus funds' show the overall health of the organisation, but this is not the amount that the organisation has available to it, as it includes fixed assets.

To calculate the starting point for an annual budget, calculate:

➤ The cash in the bank = \$359,800

less:

➤ Total liabilities (ensuring that grants received in advance are included)
= \$251,000

The example organisation has \$108,800 real 'surplus' in terms of unattached funds.

Information adapted from resources provided by Management Support Online



www.managementsonline.com.au

6 Dialogue with government

As part of the SNOW project, the SNOW 'Dialogue' was developed to bring together representatives of the small NGO sector with funding body and departmental representatives to discuss, exchange views, and problem solve some core issues that concerned them all.

This Dialogue was in two parts:

1. A 'hypothetical', in which government and non government representatives took on roles, and were guided through a series of scenarios dealing with a sudden release of funding for short term projects and the expression of interest process.
2. A series of small group discussions: Each group was selected to ensure an equal balance of government and non government representatives, and worked through the discussion questions and pro forma worksheets (provided below).

The process was extremely useful for assisting participants to understand each other's perspectives, and to identify points of commonality. NGO representatives commented on the usefulness of understanding the limitations experienced by government staff at Regional level, and government representatives commented on gaining a better insight into the challenges faced by small organisations in dealing with the funding process.

This 'dialogue' process can be conducted by any group, using the program and worksheets in this section. A similar format can also be applied to other issues that may be of common interest or concern to NGO and government.

□ **Sample program:**

The SNOW project

**Contestable Funding and Small NGOs: A dialogue
across the divide**

PROGRAM

9.00 – 9.15: Introduction and overview of program

9.15 – 10.15: Snowflake in Hell

- Panel session: Hypothetical
- Discussion and comments

10.15 -10.30: Break

10.30 – 10.45: Overview and instructions for working groups

10.45 – 11.30: Working groups

- Group A: Contestable funding and the Expression of Interest (EOI) process
- Group B: Agency size and infrastructure – the relative merits of small and large organisations
- Group C: Project based funding and organisational infrastructure

11.30 – 12.00: Plenary

□ **Group discussions and worksheets:**

WORKING GROUP 1: Contestable funding and the Expression of Interest (EOI) process

- **Facilitator:** (insert name)
- **Scribe and Report Back:** (insert name)

The group has 45 minutes to discuss the following questions (15 minutes for each section).

Scribes: Please record notes on the worksheet supplied, and be prepared to report back. You will have 5 minutes for report back, so this will need to be a summary of the main points of the discussion.

1. Strengths of contestable funding and EOI process

What are the strengths of contestable funding and the EOI process?

- What positive outcomes can it achieve for government?
- What positive outcomes can it achieve for NGOs?

2. Concerns about contestable funding and EOIs

What are the main concerns and issues with the current purchasing policy and practices?

- What problems do NGOs experience?
- What problems do government funding administrators' experience?

3. Actions for change

How could the process be improved to address the concerns identified?

- What action could government take?
- What action could NGOs take?

WORKING GROUP 2: Agency size and infrastructure – the relative merits of small and large organisations

- **Facilitator:** (insert name)
- **Scribe:** (insert name)

The group has 45 minutes to discuss the following questions (15 minutes for each section).

Scribes: Please record notes on the worksheet supplied, and be prepared to report back. You will have 5 minutes for report back, so this will need to be a summary of the main points of the discussion.

<p>1. Large organisations and funding</p> <p>Are larger organisations more attractive to government funders, and for what reasons?</p> <ul style="list-style-type: none"> ▪ What is the actual experience of NGOs? ▪ What is the actual experience of government?
<p>2. Assumptions and myths</p> <ul style="list-style-type: none"> ▪ What are the commonly held claims or assumptions about large organisations (both positive and negative)? How valid is each claim or assumption? <i>(list them under 'True' if there is general agreement that the statement is true, or under 'Untrue/Not proven' if there is general agreement that the statement is probably not true or has not been proven. If there is disagreement, list them in the section 'No agreement' on the Worksheet)</i>
<ul style="list-style-type: none"> • True
<ul style="list-style-type: none"> • Untrue/Not proven
<ul style="list-style-type: none"> • No agreement
<ul style="list-style-type: none"> ▪ What are the commonly held claims or assumptions about small organisations (both positive and negative)? How valid is each claim or assumption? <i>(list under the following headings)</i>
<ul style="list-style-type: none"> • True
<ul style="list-style-type: none"> • Untrue/Not proven
<ul style="list-style-type: none"> • No agreement
<p>3. Action for change</p> <p>What can be done to ensure the relative merits of small and large agencies are accurately understood?</p> <ul style="list-style-type: none"> ▪ What action could government take? ▪ What action could NGOs take?

WORKING GROUP 3: Project based funding and organisational infrastructure

- **Facilitator:** (insert name)
- **Scribe:** (insert name)

The group has 45 minutes to discuss the following questions (15 minutes for each section).

Scribes: Please record notes on the worksheet supplied, and be prepared to report back. You will have 5 minutes for report back, so this will need to be a summary of the main points of the discussion.

1. Benefits and problems of project based funding

What are the relative benefits and problems of short term, one off project based funding?

- From an NGO perspective?
- From a government perspective?

2. Resource levels

What are the reasons for project based funding often having insufficient resources to support the project and therefore creating a resource drain on the host organisation?

- From an NGO perspective?
- From a government officer perspective?

3. Action for change:

How could the handling of project based funding be improved to address the concerns identified?

- What action could government take?
- What action could NGOs take?