



# A strategy for change

This worksheet explains the changes that are taking place in the commissioning of Supporting People services and their impact on smaller providers. It provides a set of tools for providers to understand the current environment and develop an appropriate strategy for the future. It also provides some ideas for structuring these discussions within your organisation.

## AT A GLANCE

- Major changes are happening that will affect your organisation
- Effective business planning is essential for survival
- You need to understand the situation and discuss the available options
- You need to agree a strategic approach, make the necessary changes and develop appropriate alliances

## What's changing – and why?

Supporting People (SP) began in 2003, when a number of small funding streams for hostels, sheltered housing, supported housing and floating support were combined into one package and handed over to administering authorities – generally local authorities with social services responsibilities – to manage and administer.

*‘DISC staff have witnessed large tenders wipe out small local providers in some counties, despite the good reputation and delivery track record of these organisations.’*

NCVO Sustainable Funding Project Case Study: DISC – Developing Initiatives and Sustaining Communities.

The supported housing sector had developed following innumerable initiatives by voluntary sector organisations, often at a local level to meet the particular needs of a community. Simultaneously, numerous different

funding arrangements had also emerged. As a consequence, administering authorities inherited a multitude of contracts (West Sussex alone had over 300) with providers – some good, some bad – and inconsistently planned provision.

Unsurprisingly, SP commissioners took some time to make sense of this inheritance, to review all of the services, weed out bad providers and move the remainder onto steady state contracts. Increasingly, however, they have reached a stage where, having removed those bad providers, they wish to establish a *‘more planned and equitable distribution of resources’*.

When SP funds were transferred to administering authorities, they became subject to the same pressures as other forms of local authority funding, in particular, the need to demonstrate best value and efficiency savings through the introduction of contestable markets. In other words, putting services out to tender, rather than simply renegotiating existing contracts.

All local authorities have their own procurement standing orders, explaining how the authority should tender its contracts. Most large contracts, for example, have to be advertised, although there is scope to make the case for exemptions. In addition, each local authority has a procurement team that buys goods and services directly, and advises other departments (such as SP) about how to follow standing orders.

Simultaneously, the national SP budget has been decreasing and a programme of redistribution has been introduced to even out inequalities between different authorities that emerged because of a lack of planning. Consequently, some authorities have had to find savings over and above the annual percentage reduction in the national pot.

SP commissioning teams therefore face three pressures: to make sense of the current system; to find savings; and to tender out contracts. They also, however, have their own resource constraints. Tendering out contracts is a complex process that takes a lot of staff time and SP teams do not have the staff resources to tender out all of the large number of contracts they inherited. The obvious solution is to reconfigure existing services to align more closely with needs, and to procure these services through a smaller number of larger contracts. There is an expectation that this approach will produce lower provider unit costs and reduce the SP team's costs in managing the contracts.

This is the process that is now under way. As of June 2008, relatively few contracts have been put out to tender. Most that have been advertised have either been for new services, funded out of savings or for floating support services. Where floating support services have been re-tendered, this has generally resulted in a large number of existing contracts being reduced down to one (in the case of boroughs) or a few (in the case of counties). Lancashire, for example, reduced 55 contracts down to three, two of which went to a consortium comprising twelve small providers and one medium-sized agency.

The vast majority of SP contracts – in particular, residential-based supported housing – have not yet been subject to tendering. This is expected to change over the next three years.

## CHANGE IN A NUTSHELL

- Most SP contracts are likely to be reconfigured and tendered out over the next three years
- Existing services are likely to be bundled up into a smaller number of much larger contracts
- Tenders are likely to be advertised, so there will be competition from large providers who are not operating in the current local market

## Assessing your strategic position

This section sets out some of the issues you and your board should examine, to develop a realistic analysis of your organisation's position and potential strategic responses.

### Understanding your local SP environment

Understand how the SP commissioning process is working in the area(s) where you work (see worksheet 5 for more information), and what stage this process is at. Think about ways you can use your contacts and networks to influence the process. Identify and take part in local provider forums and consultations.

Get a copy of the procurement standing orders used in your area(s) from the relevant local authority web site. Think about the potential barriers presented by the gateway questions (see box on page 5). Gateway questions are the basic conditions that organisations have to fulfil in order to submit a tender – some can be difficult for small organisations.

Think about the likely level of contract prices. If you are not going to be able to operate at this level, you need to ask serious questions about whether you can afford to stay in the SP market, even as part of a collaborative bid.

Identify the potential competitors for the services you provide: are they existing providers or new entrants (advertising of contracts is likely to attract these)? How do their strengths and weaknesses compare to yours?

## Understanding your organisation's position

**Capacity** – how much resource can you dedicate to developing partnerships and compiling tenders? Who is going to do it? How much money can you invest in, for example, bid writing?

**Expertise** – do you have the right expertise to develop partnerships? Do you have the expertise to write and submit a tender? Is the SP team offering any support or training? Do you have the necessary expertise at the management and governance levels?

**Degree of threat** – how crucial is SP to your overall funding mix? Are there longer-term threats that may not be immediately apparent? For example, one Collaborate partnership decided that they needed to be part of a new county-

## POSSIBLE GATEWAY QUESTIONS

- A requirement to have certain policies (equalities and diversity, health and safety, environmental management)
- Specific quality measures beyond the quality assessment framework (such as ISO 9000 certification, Investors in People)
- References from two or three other commissioners
- Similar contracts delivered over the last five years
- Six months' reserves
- Annual turnover at least five times the size of the contract (the 20% rule)

wide floating support contract, even though their existing contracts were not being decommissioned.

**Potential partners** – what existing relationships can you build on? Which other affected organisations might be partner material? Are their potential new entrants with whom you might want to partner?

**Attractiveness** – what is the unique value that you offer to SP commissioners and, therefore, to potential partners? Is it your track record, value for money, quality of service or skills and experience? Are there any weaknesses you need to deal with? What is your unique selling point? Do you provide services that are not included in the SP contract, but complement housing-related support (meaningful activity, training, work experience)?

**Exit strategy** – what will you do if your bid is unsuccessful?

**Contacts** – can you influence the SP commissioning process at a number of stages, particularly as part of a broader approach by the local voluntary sector (see worksheet 5)? What networks and contacts can you – and your board – bring to the table? What messages do you want to be giving?

## Reviewing your options

After analysing your environment and your strengths and weaknesses, you should be in a better position to develop your response. There are a number of possible strategies – these are four of the most common ones:

**Go-it-alone?** It's still possible that some of the services provided by small organisations will not be subject to the full rigours of tendering. Administering authorities vary in their enthusiasm for competition and some are prepared to use their powers to declare 'waivers and exemptions' if they think there is a compelling reason not to take the tendering route. You might be able to make an argument for being treated as a special case, but unless you have a very sympathetic local authority, experience suggests this is unlikely to succeed. It would, therefore, be very unwise to base your strategy on expecting to be exempted – at the very least consider what happens if you're unsuccessful.

**Take part in a consortium bid?** Worksheet 3 describes the strategic issues involved in taking part in a consortium in more detail. In summary, it requires a lot of time and, in many cases, money. You need to think about whether your organisation has the capacity to make the consortium work for you. It is also a relatively high-risk strategy – you only have one opportunity of success. The potential rewards, however, are greater.

**Sub-contractor in a large/small partnership?** Worksheet 2 describes the strategic issues involved in becoming a sub-contractor in a large/small partnership. In summary, it requires less input in terms of time and money and it is, in some circumstances, possible to enter into an agreement with more than one bidder, thereby increasing your chances of success. The enthusiasm of some large organisations for working with smaller ones, however, can depend on the degree to which SP commissioners express a preference for partnerships. In addition, the long-term relationship with your large partner could depend on the extent to which commissioners see it as part of their role to ensure fair treatment for smaller providers. Even if all the omens are good, you will need to think about what you can offer to attract a large organisation to work with you. On the whole, organisations with a niche service or specialism are likely to be more attractive than those with a generic service.

**Planned exit?** Some organisations with only a marginal involvement in SP may decide to withdraw. Most, however, are likely to explore ways of staying in the market as their first preference. It is, however, wise to have a plan in place in case your preferred strategy is unsuccessful. Will you be able to retrench? Are there alternative activities you can start developing now to fill the gap left if you lose your SP contract? Is now the time to be thinking about a merger? How would you manage a planned closure, if that happened?

Like all strategic planning, this will be an iterative process (see diagram). The key is to focus not only on what is happening in your environment at the moment and how you can respond to it, but also on where your organisation will be in three to five years time. Your strategy should outline the best way for you to achieve your long-term organisational objectives.



*The iterative strategic planning process*

## Other resources

Sitra's booklet, *A Provider's Guide to Procurement* – a companion publication to this resource pack – contains more detail on the commissioning and procurement processes, and their implications for providers. See [www.sitra.org.uk](http://www.sitra.org.uk) for more details.

The NCVO publishes three leaflets setting out the issues for organisations considering whether to make collaboration part of their future strategy:

- *Should You Collaborate? Key Questions*
- *Joint Working for Public Service Delivery – A Model of Collaborative Working*
- *Working Together to Achieve your Mission – A Model of Collaborative Working*

See [ncvo-vol.org.uk](http://ncvo-vol.org.uk) for more details.

In 2008, hact and the JRF published a commissioning guide focused on the experience of refugee and migrant community organisations:

Perry, J & El-Hassan, A (2008), *More Responsive Public Services? A Guide to Commissioning Migrant and Refugee Community Organisations*.

See [www.jrf.org.uk](http://www.jrf.org.uk) for more details.

## About Collaborate

Collaborate was a year-long project run by hact, funded by Communities and Local Government and delivered in partnership with Sitra and NHF, featuring six partnerships in Suffolk, Liverpool, Durham, Rotherham, Redbridge and Southend. The project aimed to demonstrate how diversity can be maintained and particularly how smaller SP providers could thrive within the emerging SP environment, by developing collaborative approaches to tendering and delivering services, between themselves and with larger organisations. Hact helped project partners in two ways:

- Through practical help and facilitation, working through some of the issues involved in developing collaborative models;
- Through financial support of the costs of building capacity of some of the smaller partnership members, as well as some of the legal and expert support costs.

In exchange, all the participating organisations contributed to an evaluation and facilitated learning process between the partnerships, so their insights could be shared with the wider sector.

## About hact

Hact pioneers housing solutions to enable people on the margins to live independently in thriving communities. We use our expertise and resources

to identify emerging issues, test ideas, support multi-agency solutions and share learning that changes policy and practice.

## About this resource kit

This resource kit has been produced as one of the ways of sharing the learning from the Collaborate project. It consists of eight worksheets, which provide information about strategic development, different collaborative approaches, how to influence procurement processes, developing collaborative bids and implementation issues (see list below).

Though focused on small providers, the learning has relevance for all in the SP sector. Hact doesn't intend to suggest that collaboration is the only option for small SP providers. Some may choose to leave the market. Others might persuade local commissioners to exempt them from the normal commissioning process.

For many providers, however, SP is a vital part of their income and leaving the market is not an option. Sooner or later, their service will be subject to reconfiguration and tendering, probably as part of a much larger contract. Some form of collaboration may represent their best chance of staying in the market – and possibly in existence. It may also, if the experience of some successful Collaborate partnerships is a guide, be a stimulus to developing better services and ensuring a diversity of provision for service users.

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## Collaborate resource kit

Worksheets:

- 1 A strategy for change
- 2 Large/small partnerships
- 3 Consortia
- 4 Developing positive relationships
- 5 Influencing the process
- 6 Legal issues
- 7 Writing the bid
- 8 Implementation