



## Third Sector Commissioning Review

Autumn 2008

This is the tenth of Futurebuilders England's quarterly Commissioning Reviews.

Not surprisingly, the current economic situation is raising questions about how financial constraints will affect the third sector's success in winning contracts. On the one hand, economic difficulties are likely to raise the demand for many of the services provided by the sector – while on the other, there is a fear that commissioners' ability or willingness to offer viable contracts could decrease.

The prevailing view is that economic conditions are likely to create increased demand for advice services, mental health support and services to combat drug and alcohol dependence – all areas in which the third sector's ability to provide added value are widely recognised.

There is even a view that the current situation could in many ways be the long-needed catalyst to force the issue and

expose the co-dependence between the public and third sectors: at a time when there is likely to be an increased demand for support services, the third sector must be ready to raise awareness of its ability to meet that demand and the added value it can offer.

The ongoing fall in property prices could also present an unexpected opportunity – some third sector organisations are considering taking advantage of the bargaining power afforded by a distressed market to increase their own long-term sustainability by acquiring an asset that might have been unattainable until very recently.

For Futurebuilders, the business of helping investees to develop the capacity to win contracts remains paramount. Inevitably, it will be some time before the full impact of economic challenges are felt in this respect, since the contracts won by our investees recently are the result in many cases of negotiations that began some time ago.

That tally, however, is in itself very positive. In the last six months alone, Futurebuilders investees have won almost 80 new public service delivery contracts worth over £15million in total.

### Alternative education

The contracts won cover a wide range of service delivery areas and commissioning bodies, but there appears in particular to have been a clear upward trend in the number of contracts won by third sector providers of alternative education.

In our last Commissioning Review we highlighted the success of London-based StreetVibes Youth, which holds substantial alternative education contracts with commissioners across London.

More recent contract winners include Futurebuilders investees The Lighthouse Group, Positive Steps and Hertfordshire-based Sound Base Studios, all of whom also provide alternative education services for

excluded and disaffected young people.

Amanda Ashley, Project Manager for Sound Base Studios, believes that education commissioners are finally beginning to recognise the results alternative providers can achieve.

'It has taken several years of hard work for us to prove the clear benefits of our approach, and to demonstrate that one size really doesn't fit all where education is concerned' she says.

'But I do believe that county councils and other commissioners can't ignore any longer the much higher educational and social outcomes we achieve with the young people we work with, compared to mainstream providers trying to address their very specific problems.'

Sound Base Studios, which uses music and multi-media technology to re-engage young people aged 11-19 in learning, achieves substantially better success rates than the local college in terms of

enabling young people to progress to employment or further education.

Futurebuilders has invested a total of £256,717 to help the organisation make substantial capital improvements and improve its organisational capacity.

Sound Base recently won new and renewed contracts worth over £150,000 from the Learning and Skills Council and Hertfordshire County Council.

Amanda Ashley believes that the tide is finally turning in favour of a more creative approach to alternative education, reflected to some extent by the publication of the government white paper Back on Track earlier this year.

Back on Track acknowledges unequivocally that 'alternative provision is a central and essential part of our strategy for improving behaviour in schools' and emphasises the importance of commissioning the best and most appropriate providers of alternative education, especially where statutory Pupil Referral Units have failed to deliver adequate results.

### Value and affordability

Adrian Ball, manager of Futurebuilders investee Positive Steps Oldham, extends

a cautious welcome to the raised profile now being given to alternative education schemes.

'It is good that alternative education is gaining in credibility, and especially that the outcomes organisations like ours can deliver are being recognised,' he says.

'However, we have to achieve a difficult balance when it comes to providing a high quality service whose value is matched by its affordability for the schools who need our services.'

Positive Steps manages the Kickstart project, which uses motor maintenance skills training as a means of working with excluded children and young people in Greater Manchester. Kickstart has developed into a respected and credible scheme, winning recent new contracts valued at over £70,000 from schools, education authorities and PCTs across the region.

Around 90% of Kickstart's income comes from individual schools forced to look for solutions when relationships with individual pupils break down.

'This often involves schools finding money from budgets where there is not always a contingency sum set aside for emergencies, and they sometimes look

for the cheapest options,' says Adrian.

'That can create opportunities for organisations that don't have either the track record, or the organisational strengths, that we have.

'We've been working hard to price our services at a level that goes some way to reflecting the true costs of delivering a good service – but less well developed providers can sometimes undercut us and cash in on the schools' need to find some sort of a solution cheaply.'

### Rising to the financial challenge

In the current financial climate, Adrian Ball's concerns reflect some of the wider questions third sector organisations are having to address, especially with regard to the impact of the present financial situation on their ability to generate income in the long term.

In practice, however, Positive Steps and other Futurebuilders investees are becoming adept at identifying and responding to the challenges presented.

TreeHouse, the national charity for autism education, specialises in educating children with autism, supporting parents and training professionals and currently enjoys a

healthy level of contracts from education authorities in London.

TreeHouse is poised to move into its new National Centre for Autism Education (part-funded by a £5 million Futurebuilders investment), and continues to attract a growing list of substantial contracts – but head of fundraising Susan Beck sees challenging times ahead.

'We are looking very much to the future, and to a world where we expect commissioners' budgets to get significantly tighter,' she says.

'This means that it is more important than ever to review our provision and make sure we are offering a range of services that meet identified needs.'

To that end, TreeHouse plans to dramatically expand the training and consultancy services it offers – but it also plans to diversify its range of services to meet the varying needs of children and their families.

Susan Beck says 'For example, we are considering talking to health authorities about providing more specialist help with home issues – there are ways we can work with families to help them cope with the challenges that autism poses for the wider family.'

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'We are also looking at expanding extended school services to children who may function well in mainstream provision during school hours, but would greatly benefit from autism specific services outside standard school hours.'

### Reviewing the options

Other investee organisations are also reviewing their strategies in the light of the financial climate – often with the help of resources built into their Futurebuilders investments.

Martha Trust in Kent provides lifelong care for adults with profound and multiple disabilities. It currently has three homes caring for 26 young people and adults, but will use most of its £680,000 Futurebuilders investment to expand one of its properties and increase both the facilities available and the number of people it can care for.

Director of Resources Judy Heath says the Trust has already felt the effects of the financial situation, not least in the price negotiations that accompany contract renewals.

'This year, some of the local authorities who buy our services did not offer any increase at all on the value of the contracts they wanted to renew.'

Martha Trust is considering a number of ways to meet these increasing financial pressures, and Judy Heath feels the organisation is already benefiting from the financial consultancy that came with its Futurebuilders investment.

'The support we have had in developing our budget management skills has been invaluable,' she says.

'We've moved towards much longer-term budgeting, and I really believe the three-year budget we have just produced is by far the most robust and comprehensive we have ever had.'

'It is based on very realistic occupancy projections and realistic expectations overall, which will become more and more crucial as the organisation grows.'

### Niche provision

Judy also believes that Martha Trust has one very significant advantage that could help it to maintain market share and grow to meet future markets.

She explains 'Our residents have very profound, multiple disabilities, and we have developed a specialist ability to provide care for people with extremely complex needs.'

'I believe this will continue to be one of our greatest strengths in negotiating and winning contracts.'

This ability to fill a niche and meet very specific individual needs has been enhanced by the element in Martha Trust's investment from Futurebuilders that provided funding to employ a contracting co-ordinator, whose role has been to develop a long term overview of contracting opportunities alongside a strategy to support the organisation's development.

'We have already benefited from the ability this has given us to negotiate individual fees to reflect the true cost of our specialisms and services,' says Judy Heath.

The Trust recently won a contract worth over £130,000 from Kent County Council's Adult Social Services directorate, illustrating its ability to deliver – and, equally crucially, to demonstrate – a high level of specialist care.

### Strengthening relationships

In Liverpool, longstanding Futurebuilders investee Liverpool Crossroads Caring for Carers is reviewing its strategies in the light of both current commissioning

successes and future uncertainty about the wider global financial slowdown.

Although Liverpool Crossroads has just won an extremely healthy crop of contracts from North West commissioners, the scheme is far from complacent. Even before the current financial crisis had registered in the City and the wider Merseyside area, Chief Executive Penny Fell had been developing a strategy for coping with tougher economic times.

'The bedrock of our business is maintaining our strong relationships with existing clients while proactively developing relationships with potential new ones and strengthening partnerships across the board,' she says.

'We work hard to keep in touch with our existing clients to make sure we meet their current needs, and at the same time identify and find ways to meet new needs or develop new services.'

'Although it is important to look for new business opportunities, that never happens at the expense of current service users and commissioners.'

## Raising the profile

At the same time, however, Penny is sharply aware of the need to develop new connections and make sure that the profile of Liverpool Crossroads continues to rise across Merseyside and the North West.

‘We need to make sure, at times like these, that everyone knows who we are, what we do and how we can help to meet their needs.’

## Partnership and collaboration

Despite Penny’s plans to tender very soon for several more key contracts with Liverpool, Sefton and Warrington councils, she firmly believes in the importance of working in partnership with the rest of the sector.

‘At the moment, we are strengthening our links with smaller BME niche providers like the local Chinese Care Association.

‘We can give them backroom support with issues like payroll and HR, to strengthen their position and give them the space to concentrate on their service delivery.

‘By working in partnership we can help small specialist providers to deliver

services under contract and in partnership with us – which makes it possible to offer more and meet the needs of a wider market, while at the same time helping small organisations not only to survive but also to prosper.’

The benefits of collaboration are likely to be particularly valuable to the sector in the coming months.

Third sector organisations who are willing to develop consortia or, like Liverpool Crossroads, find ways to work in mutually supportive partnerships, could find themselves in a stronger position to develop services and win contracts to ensure both their own survival and the provision of responsive and much-needed services.

Futurebuilders is currently developing a Consortium Development Fund to support the development of new and fledgling consortia, and will continue to explore ways to help the sector emerge stronger and more sustainable from a challenging situation.

## Influencing thinking

Liverpool Crossroads Caring for Carers has always been an active player in strategic partnerships across the region, contributing to the planning and prioritising of services and ensuring that

the third sector perspective is properly represented at local and regional levels.

It is an approach that Adrian Ball of Positive Steps also supports. ‘I believe it’s important for the sector to engage strategically in partnerships and forums across the region, especially in the current situation’ he says.

‘It demands an investment of time and resources, but we need to be there contributing to the debate, influencing thinking and making sure the sector’s voice is properly represented and heard.

‘That way we can help to make sure that public services are being delivered in a way that reflects the true cost of delivery and really utilises the sector’s skills and abilities.’

## Looking to the future

There is no doubt that the third sector will be affected by the financial constraints affecting the country as a whole, and none of the investees we spoke to for this review were under any illusion that they would not be affected by it.

In general, however, there seems to be a strong sense among Futurebuilders investees that there are ways to cope with economic hard times.

The sector has always needed to call on its skill, determination and quick thinking to survive. The experience of the many Futurebuilders investees who secured significant contracts during the last quarter suggests that those qualities, and their growing experience of building relationships, developing expertise and winning and delivering public service delivery contracts could well be the key to survival this time.

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