



Third Sector Commissioning Review

Spring 2009

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

Financial crisis...economic downturn...recession. We have all heard these words and phrases repeated so often over the past few months that it's hard not to get bogged down in the negatives. But there are many positive things happening as well, particularly in the third sector, which we should be focusing on instead.

Now is undeniably a time of great opportunity for the sector, particularly for organisations working in the areas of welfare reform, education and training, and health and social care. As mentioned in our last review, about £30 billion worth of major public sector contracts are on the horizon for organisations involved in these areas of service delivery. As these contracting opportunities draw ever closer – many of them are up for re-commissioning in the next couple of months – it is important, now more than ever, that we pull together as a sector in order to secure our slice of this contracting pie.

We also spoke in the last review about the importance of collaborative working. This too is now more important than ever, if the third sector is to compete effectively with the private sector for a share of these contracts. We – the third sector funders, investors, and champions – should all be doing everything we can to help the sector take advantage of the current commissioning climate. And at Futurebuilders we are committed to doing just that.

Third sector organisations have expressed the need for help in delivering the efficiencies and economies of scale needed to bid successfully for major contracts, as many of them simply do not have the capacity or capability to do so on their own. In response to this sector demand, we are currently looking for partners to help us create a pilot consortium, which will trial a new approach for pooling expertise and resources for core services associated with tendering for contracts – such as bid writing, financial modelling, contract negotiation and performance management (including the management of a supply chain). Led by our Enterprise

Director Ian Charlesworth, the consortium will be made up of third sector organisations with expertise in the bidding process, as well as those experienced in the direct delivery of public services in the fields of welfare reform, education and training, and health and social. It is hoped the consortium will allow such organisations to take advantage of the upcoming contracting opportunities, helping them to grow and achieve long-term financial sustainability.

We have also recently launched our Cashflow Fund – a £4 million fund that provides short-term loans (up to two years) to help organisations cover short term cashflow needs or provide development capital required to bid for, win and deliver public sector contracts. The fund is designed to support organisations through the early stages of public service delivery, before they can generate income. The Cashflow Fund offers minimum investments of £50,000 in the form of bridging loans, reserves cover and/or overdraft guarantees, either on their own or as part of a Futurebuilders Full Investment.

Taking advantage of opportunity

It has now been over a year since the Adventure Capital Fund (ACF) took over the management of the Futurebuilders Fund on April 1, 2008. Since then, we have invested over £42m in more than 90 organisations, helping them to take advantage of contracting opportunities.

Despite it being a tough twelve months for the economy, it is clear there are still plenty of contracting opportunities available. Demand for investment is high – even increasing – as indicated by the fact that enquiries to Futurebuilders have risen over the past quarter to an average of more than 100 per month.

This level of opportunity is further evidenced by our 'contracts won' statistics – which show that in the past twelve months, our investees have won over 120 contracts worth in excess of £23 million.

One organisation that has taken advantage of recent contracting opportunities is Urgent Care (Social Enterprise), which recently secured three

new contracts worth a total £633,000. Urgent Care was the recipient of Futurebuilders first quasi-equity investment, receiving £399,000 in December 2007 to fund start-up costs for a new service providing accessible urgent care for London. Formed in 2006, Urgent Care is a clinician-led NHS social enterprise that employs nurses and emergency care practitioners to meet the urgent care needs of service users in South East, North East and North West London, Surrey and Essex.

Following the successful completion of a pilot contract in 2007, Urgent Care went on to secure contracts with a range of primary care trusts and out-of-hours providers across London. Since then, it has not looked back, and has recently secured three new Service Level Agreements (SLAs) for healthcare services valued at a total £633,000. The three SLAs are to establish a new Rapid Response Team in Havering, North East London; to provide support to the new Urgent Care Centre in Bexley; and to transform a minor injuries unit into an Urgent Care Centre in Beckenham.

However Bamber Postance, CEO of Urgent Care says that despite their success, it has not all been smooth sailing: "Although we have the right experience and skill mix within our team to develop and deliver our services,

establishing Urgent Care as a healthcare social enterprise has been much harder work than we anticipated," he explains. "One of the issues is just how fast we are growing, but there are also a number of other key barriers we have had to overcome."

These barriers would be familiar to many health social enterprises – accessing NHS pension rights for staff; ensuring your organisation has enough working capital during the start-up phase; and dealing with the cultural changes involved in migrating NHS staff into enterprises that have no choice but to be commercially robust.

However it has not all been hard work. Bamber says that in the case of Urgent Care, establishing relationships with local commissioners was one of the easier parts, and that in general they have found NHS commissioners to be very open and supportive of social enterprises.

Bamber is also keen to stress the importance of cooperation as key to winning business: "It is important to always remember that health and social care works best through cooperation, networks and reciprocity, and this is a key strategic feature needed for social enterprises to be commercially successful in health," he says. "Not only is cooperation and collaboration

important from a commercial standpoint, it also serves to meet the best interests of the patients, their families and communities."

Urgent Care has big plans for the future, aiming to develop more highly accessible urgent care centres across London over the next 24-36 months, including integrated rapid response mobile services for older people. If their success so far is anything to go by, they will go a long way to achieving their goals.

And for other social enterprises thinking about going down the contracting route, Bamber has a few words of advice: "Quickly develop a core set of legal terms and conditions; develop repeatability and a modular approach into your services and products; partner up if you are still small; and employ some good lawyers!"

More contract success

Urgent Care is not the only organisation to have benefited from the current commissioning climate. Over the past quarter alone, 36 Futurebuilders investees have secured 32 contracts valued at more than £6.7 million.

Part-time recruitment experts Women Like Us was recently successful in securing four new Service Level Agreements (SLAs), valued in excess of

£500,000. Women Like Us operates across London with a threefold approach to helping women find work which they can fit around their family lives – expert free career coaching guides to help women on their journey back to work; a recruitment service which helps women find part-time jobs that match their skills and experience; and employer support, helping employers with job design, recruitment and advice on flexible working.

One of the new SLAs is for a pilot project under the Adult Advancement Careers Service – the prospectus of which was launched by Government in October 2008. The service will be developed over the next two years, coming into full operation in 2010. During the pilot phase, Women Like Us will be engaging and supporting 600 parents on low incomes, both workless and in work, across Southwark, Lambeth and Wandsworth to access the range of support they need to progress into sustained employment, access further training or to develop within their existing employment.

The Lighthouse Group – which delivers unique educational programmes to-hard-reach young people – recently won seven new twelve week contracts with schools and education authorities in Bradford, Birmingham, Manchester and the London Borough of Lambeth, valued at a total of £116,091.

And Get Cycling CIC – a community interest company that works to promote cycling for leisure, transport, health, happiness and the environment – recently secured 26 new spot contracts with a range of city councils for the delivery of training days, valued at over £114,000 in total.

From strength to strength

In our autumn review we talked about the success of TreeHouse – the national charity for autism education – in generating public sector income from local authorities in London. Since then, TreeHouse has gone from strength to strength, moving into its new permanent building, ‘The Pears National Centre for Autism Education’ (part-funded by a £5 million Futurebuilders investment), in October 2008, while continuing to secure a growing list of pupils.

Martin Atkinson, Finance Director at TreeHouse says the organisation’s success is largely due to its reputation with local authorities.

“TreeHouse is unique, in that most of our ‘contracts’ are actually agreements with local authorities to educate an individual child,” explains Martin. “So for example, our two most recent contracts came about because the authorities wrote to us requesting a place for the child at our school.”

While it used to be quite rare for local authorities to approach TreeHouse directly in this manner, Martin says this is a trend that seems to be growing more common.

“The majority of our placements used to come to us as the results of tribunals, whereby an independent panel deems TreeHouse to be the best provider for the child’s needs. However, as our reputation has grown, we are now at the point where we are the preferred provider of education for children who are severely affected by autism for many local authorities, who approach us directly when they have a child whose need they cannot meet themselves.”

TreeHouse was operating at full capacity in its previous temporary premises, leading it to apply for an investment from Futurebuilders in order to build its permanent building.

“The investment from Futurebuilders was absolutely crucial,” says Martin. “TreeHouse had a sound business model but could not fulfil it without the funding which, for a young and relatively small organisation, was a substantial amount. The Futurebuilders investment was accompanied by a major capital appeal and a commercial loan facility.”

TreeHouse now works with 15 local

authorities, and is again contemplating a future where in a couple of years the school will once more be operating at full capacity.

“We are focused very much on moving forward, but we are also aware of the wider economic environment and the effect it is likely to have on our future,” says Martin. “Over the next few years public expenditure will come under increasing pressure, and although education is relatively well protected, we know that local authorities will be forced to tighten their budgets. This means we are planning for those times by constantly reviewing our service provision and pricing.”

In addition, TreeHouse is looking at expanding some of the services it offers, such as its training and consultancy. It is also investigating the feasibility of new services such as holiday play schemes, extended schools programmes, residential services and specialist home support.

“We have plenty of ideas for new services that we know there would be markets for, it’s just a matter of finding the time and resources to develop them,” says Martin. “One of the key areas we are interested in developing is post-19 support – supporting our pupils in the transition from education to adult services

once they reach the age of 19.” And if its journey so far is anything to go by, TreeHouse will be able to achieve all this and more.

Keep on consorting

The importance of working in collaboration and partnership has been a recurring theme in our last couple of reviews, and in our Winter review Neil Coulson from Sheffield Wellbeing Consortium talked about the benefits of working in consortia.

We pick up this theme again this quarter with Isobel Thomas, Manager of a new consortium established by Zest (trading name of the Netherthorpe and Upperthorpe Community Alliance) and other third sector providers in Sheffield. Zest received an £85,000 Futurebuilders investment to help fund the costs associated with establishing and running the new Youth Consortium Sheffield (YCS), of which it is lead member.

According to Isobel, there was quite a bit of pressure in the initial stages of setting up the new consortium: “Establishing YCS required a significant pre-development phase of about 12 months, during which time the organisations involved, especially Zest, carried out a lot of work at their own expense, as at that stage there was no funding in place to

pay for staff,” she explains. “This work involved developing a viable business plan; working out membership criteria including a minimum quality threshold; and selecting the most appropriate model for the consortium.”

However some of this pressure eased in September 2008, when Zest received the investment from Futurebuilders. “The crucial thing about our investment from Futurebuilders was that it paid for a staff resource to write tenders,” explains Isobel. “This was really important, especially given that the first contract opportunity came up very early in the life of the consortium. The investment also gave the consortium credibility.”

YCS held its first official meeting in November last year, just two months after receiving the Futurebuilders investment. “At our inaugural meeting there was a real enthusiasm among members to make this consortium work,” Isobel says. “What’s more, when the first contract opportunity came up soon after this meeting, members were very clear that organisations should not hedge their bets and try to both go it alone as well as through the consortium.”

This proved to be the right approach, and the consortium were successful in securing the contract – a one year

‘Positive Activities for Young People’ contract with Sheffield City Council, valued at £442,837, to run a programme of positive activities for 8-13 year olds, covering much of the city.

Isobel says the consortium will be sub-contracting to 20 third sector providers to deliver the contract, which will offer a range of activities including sport, arts and crafts, environmental activities, play, heritage and cultural activities and music and creative media.

As a newly established consortium, YCS is still very much in the process of developing relationships with commissioners; however Isobel says that so far they have found them to be enthusiastic and supportive. But she also points out that despite this, they still experienced difficulties in the tending process.

“On the whole, there seems to be a real willingness to work with a third sector consortium like ours,” she explains. “The bit that needs more work is the contracting process and making it work for the third sector. In all honesty, the tendering process has been difficult. There have been shifting timescales from the commissioner both for tender submission and for notification of decisions; a lack of clarity over exactly

what the commissioner wanted to buy; and changing of service requirements.” However, Isobel is hopeful this will improve as more third sector organisations get involved in public sector contracting.

Not surprisingly, Isobel is a firm advocate of the consortia approach to third sector delivery: “A consortium approach such as ours provides opportunities for collaborative working among members and also helps drive up quality within the sector,” she says. “There are also real benefits to being involved in a consortium like this, in that it enables organisations, particularly smaller ones, to access contracts that otherwise would be beyond their capacity to bid for.”

Looking to the future, Isobel says the consortium’s aim is to move forward in a way that ensures they are around for the long-term: “We want to win more business so that we can make this a sustainable business model and ultimately, through our members, deliver good quality, locally accountable and responsive services for children and young people in Sheffield.”

Looking forward

So, despite the financial crisis, the economic downturn, the recession, it is

clear that the future remains bright for many in the third sector. We firmly believe the third sector has the power to transform the face of public service delivery in England, and hope that with the right support, third sector organisations are able to continue to take advantage of current contracting opportunities in order to change people’s lives for the better.

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www.womenlikeus.org.uk
www.thelighthousegroup.co.uk
www.getcycling.org.uk
www.treehouse.org.uk
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