

Cabinet member: Councillor John Thomson, Deputy Leader and Cabinet Member for Community Services

Future Commissioning and Contracting Arrangements for Services Funded Through the Supporting People Grant

Executive Summary

The Supporting People programme offers vulnerable people the opportunity to improve their quality of life by providing a stable environment which enables greater independence.

The Supporting People programme has, since 2003, funded housing related support schemes across Wiltshire. It has recently been demonstrated nationally that investing in Supporting People services has brought financial benefits to all local authorities. In Wiltshire this equates to every £1 spent with Supporting People has saved £1.90 in alternative services.

The team locally have built on this financial foundation by using a process of monitoring and reviewing schemes in order to build up an understanding of the local market. This understanding has enabled the team to benchmark like for like services and to employ a process of price negotiation where providers are out of line with their competition.

Tendering has also been used to great effect where new services are commissioned or existing ones are remodelled. However, the likelihood of meeting our objectives of improving services for customers and providing value for money is considered unlikely if just using a commissioning policy of competitive tendering.

Proposal

It is proposed that Cabinet agrees to temporarily exempt all housing related support services from the corporate tendering process and implement rigorous benchmarking and negotiation as a method of ensuring value for money.

Reason for Proposal

Benchmarking and negotiation have been used since 2003 by the Supporting People team to keep prices competitive and to ensure that the budget has always balanced.

Tendering has been used successfully when commissioning new services or remodelling existing ones, however, the majority of existing services would prove problematic to tender and would currently offer limited opportunities for efficiencies.

The exemption would allow time to review services and consider whether it is possible to package them differently and whether opportunities for collaboration with partners is an option. We are keen to explore what further potential there is to optimise efficiency and tackle unmet need.

Sue Redmond Director of Community Services

CABINET

15 December 2009

Future Commissioning and Contracting Arrangements for Services Funded Through the Supporting People Grant

Purpose of Report

1. The purpose of this paper is to
 - (i) seek Members' approval to temporarily exempt housing related support services from mandatory tendering and to enhance the current benchmarking process to ensure value for money.
 - (ii) Review current services and benchmark them against other similar local authorities, i.e. Pathfinder to establish whether opportunities for repackaging and collaboration exist.

Background

2. Supporting People (SP) was introduced nationally in 2003 as a way of bringing together into one pot a whole range of services designed to help people to maintain tenancies and to avoid housing crisis. This included a diverse collection of services ranging from sheltered accommodation for older people to hostels for homeless people, from community housing for people with learning disabilities to refuges for women escaping domestic violence. Equally as diverse as the range of services were the contracting and monitoring arrangements that underpinned them.
3. Starting with a budget of £9m in the financial year 2003/04, the SP team concentrated on signing all inherited suppliers on to 'interim' contracts. Once this was achieved a process of stringent monitoring was embarked upon.
4. SP teams nationally used a government issued monitoring tool called the 'Quality Assessment Framework' (QAF) in order to ascertain the worth of a service and the professionalism of the organisation delivering that service. The QAF examines all areas of the providers operation including policies and procedures, staff training and financial viability. It also gave tenants within the scheme an opportunity to feedback compliments and complaints directly to the monitoring officer in the strictest confidence.
5. Using the QAF all providers were graded on each aspect of their business, those failing to achieve 'C' or above were given action plans and support in order to raise themselves to this acceptable standard. Any providers failing to deliver on their action plan or declining to participate with SP any further had their contracts withdrawn.

6. The information gathered during this review process was then used to award longer term 'steady state' contracts to those providers who successfully passed their QAF, these were all in place in Wiltshire by the end of the 2005/06 financial year.
7. Alongside the ongoing QAF process, the SP team were conducting a series of strategic reviews. The aims of the reviews were to:
 - Identify those inherited contracts that were no longer considered to be meeting the strategic objectives of the Wiltshire SP partnership
 - Identify gaps in the services available
 - Identify those schemes where unit costs were out of line with other similar schemes.
8. This process has continued to date and has been responsible for reducing the SP expenditure year on year and for driving up the quality of remaining services.
9. It has been necessary for SP to put a heavy emphasis on the financial aspects of service as the SP budget has always been under pressure. Since the initial 2003/04 figure of £9m the budget has been reduced annually until it stands at the current 2009/10 level of £8.2m, a reduction of nearly 10%. The reduction in expenditure has been managed within the SP team through decommissioning, negotiating price reductions and appropriate use of tendering, by using these tools the SP team has to date not overspent.

Main Considerations for the Council

Financial Benefits Tool

10. Recently, Communities and Local Government (CLG) produced research into the financial benefits of the SP programme. This concluded that on a national level the £1,612m spent on SP resulted in a saving of £3,409m which would have been met by 'mainstream' services if SP did not exist. The calculation was made by comparing current SP services with alternative services and the cost of the current services without an SP contribution.
11. The tool has been used locally in Wiltshire to determine the potential cost of losing SP. Of the £8.2m grant only £6.8m could be easily attributed to those client groups within the benefits tool. However, the £6.8m did produce a net saving of £13.2m which would have to be met by other areas of the Council or by other statutory bodies.

Tendering

12. There are a number of issues that would be difficult to overcome if a blanket requirement for tendering were applied to the SP programme:

- Of the £8.2m grant approximately £4.1m is tied up in long term services (longer than two years), the majority of these are delivered by providers who are also the landlords of the property. This means that if an existing provider were to lose a contract via the tendering process we would possibly need to find an alternative location for the service to be delivered.
- These long term services also represent people's homes. The worst case scenario is of a scheme closure resulting in evictions.
- Certain types of service, such as domestic violence refuges and services for ex-offenders do not lend themselves easily to tendering as finding suitable locations within the county is difficult and unpopular. The same can be true for homelessness services and those for people with drug and alcohol problems.
- Some of our existing providers have applied for and been granted capital funding from national organisations such as the former Housing Corporation. Tendering the revenue funding for these schemes could put the capital investment in Wiltshire under risk. Examples of this are the Halve in Trowbridge and Damascus House in Salisbury both of which attracted in excess of £1m in capital funding.
- Most of the overheads involved in costing SP services are related to staffing (approximately two thirds). This means that following a tender process the majority of the overheads are transferred to the new supplier via the Transfer of Undertakings (Protection of Employment) regulations 2006 (TUPE). Add to this the other overheads and the cost of the tender exercise and there is very little scope for making savings in a like for like tender.
- The market conditions that all providers and commissioners operate in are uncertain. The government's personalisation agenda has made providers nervous about the future, investing heavily in a new service that may lose its guaranteed client base within a couple of years is not a viable business prospect.

13. However, the SP team are not averse to tendering and it has been a valuable tool in developing the current range of services. Of the current £8.2m grant £1.4m has been tendered, or is currently out to tender. The majority of this expenditure is related to the 'Generic Floating Support' service, where a £1.2m spend with 14 separate providers was successfully tendered and awarded to a single local consortium (Community4) for £810k. This tender's success lies in the fact that existing services were able to be remodelled into a different format and access economies of scale.
14. A separate tender for a new Direct Access Homelessness facility in North Wiltshire was awarded to a new provider for Wiltshire at a cost of £303k per annum. This is for a 15 bed unit with 6 move on beds, the price and quality of the new providers bid beat that of all the local opposition. However, a similar scheme in South Wiltshire operated by one of the losing bidders costs £330k for a 30 bed unit. At the same unit cost as the new scheme this would cost us £433k following a similar tender process.

15. As well as using tendering where opportunities to remodel existing services or setting up new ones are identified, it is proposed to implement a more rigorous approach to benchmarking.

Benchmarking

16. Using benchmarking data, we are able to gain an idea of where providers are not demonstrating value for money. We can then use this in conjunction with 'outcome' data to determine whether a service is not just providing value for money but also value for individuals.
17. Work has already begun on the process of reducing expenditure through negotiation. One of our largest providers of older people's services is currently working on proposals to reduce their costs by £250k per annum.

Environmental Impact of the Proposal

18. None

Equalities Impact of the Proposal

19. No impact on equality has been identified

Risk Assessment

20. No immediate risks identified

Financial Implications

21. Tendering services cannot guarantee financial savings, particularly where the costs of the services being tendered comprise mainly of staffing overheads which will be subject to TUPE regulations. However, using the attached benchmarking information we can identify scope for savings and implement them via negotiations with providers.

Legal Implications

22. It is possible that a service provider who could have bid for the delivery of these services had they been put out to tender may seek to challenge the non-tendering of the services.
23. The risks of challenge are considered low and measures can be taken to manage the risk. It is therefore judged that this is an acceptable risk to take given the benefits to be gained from this proposal.

Options Considered

24. No further options have been explored at this time.

Conclusions

25. The services provided through the Supporting People programme have been recognised nationally as having a direct financial benefit on the local authority in which they are delivered.
26. Locally SP has a history of stringent monitoring of service combined with achieving savings through market management. Tendering has, and is used where this is seen as presenting possibilities for remodelling services or setting up new ones.
27. The prospect of using tendering as a blanket tool for all services is fraught with difficulties and will not deliver the outcomes that Wiltshire Council requires. Instead a balance between ongoing, rigorous benchmarking and competitive process where appropriate is recommended. There is a strong need for multi-agency working to develop and continue the successful delivery of the programme.

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November 2009

Background Papers

None

Appendices

None