Supported Housing – Commissioning and Procurement Project: A summary of findings

Local Authorities and Providers continue to debate how the various ways in which local authorities commission and procure housing related support services.

Last year DCLG commissioned CIH to carry out a research exercise with local authorities and providers into the processes that Local Authorities were using in respect of procurement and commissioning of housing related support services. CIH were also asked to explore whether or not local authorities would be interested in advertising their future commissioning plans on the Government’s Contracts Finder website. Over a six month period CIH collected information on the existing practices and the views of the sector.

CIH received in total over 300 responses, which it was agreed with participants would remain confidential unless they otherwise stated by the organisation.

This paper collates the responses from local authorities and providers on --

- what they find/perceive are significant barriers around procurement and commissioning: and

- good practice employed by respondents to help overcome problems/difficulties?

Research Methodology (taken from below)

Views from the sector were sought through an e-mail questionnaire sent out to local authorities and providers, through regional and individual visits and through telephone calls. All of the English regions have been visited or contacted with the exception of the North East.

CIH have been pleased with the response from local authorities, given the current economic climate and the fact that many authorities and providers are incredibly busy, with 52 local authorities and over 246 providers (small, medium and national providers) responding. However it should be noted that 7 provider organisations provided 32 responses (where staff are working in different localities and wished to
give a local view on the procurement and commissioning arrangements as this clearly differs from authority to authority).

**Research Findings - Use of Government Contract Finder Web-Site by Local Authorities**

Fifty two LAs took part in this research which looked at the then current barriers:

- for local authorities to being willing to place commissioning plans on the new pipeline section of the Contracts Finder website;
- place procurement adverts on this web site

Responses were as follows

- 75% of respondents dealing with housing related support said that they had not previously heard of Contracts Finder.
- The number of authorities did not have any forward commissioning plans in place that cover the next 12 months.
- Those that had commissioning plans in place did wish to pursue advertising their commissioning plans on Contract Finder.
- Authorities who had looked at the website said that the Contract Finder could be improved if there was more specific information or sections relevant to support and supported housing services and if it provided information for service providers of the standard information they will need to provide for most tenders (in a checklist format).

**Research Findings - Commissioning and Procurement**

From analysing all the information received, the biggest barriers for the provider sector are that staff resources are pre-occupied by constant bidding rounds (53%). This is a problem for many providers but is most acute for the smaller providers who cannot employ the specialist business teams which some of the larger providers now use. Many providers said that short term contracts also create instability and an increase turnover of staff. This is costly for the providers, results in a loss of skills, the need for further training as new staff join and is seen to be disruptive for existing staff.

Sitra suggested that the trend to go down the route of commissioning for larger single contracts, thus reducing a number of management costs to and also reducing
the amount of data needed to be collected in respect of performance and monitoring appears to be having an impact on the number of smaller providers across the housing support sector. A recent example of this is in Wiltshire where 130 social care providers under contract are being reduced to just 4.

**Common Issues following analysis of responses**

1. **Main issues about procurement, as reported by local authorities**

   - 72% feel that they are constrained by local procurement rules which require officers to go out to test the market when this is not always the most effective way of getting the best provider/service.

   - 71% would not be encouraged to use Contract Finder for live opportunities as they must use local regional procurement portals ‘chest’ procuring systems for procuring all local authority services.

   - 73% considered themselves to be constrained by the EU regulations.

   - 15% said that they operated procurement for Housing Support through separate standing orders to help with housing support procurement.

   - 22% said that they thought that tendering is expensive and resource intensive.

   - 65% said that procurement is increasingly being handled by corporate officers, rather than service specific. This essentially means that some procurement officers within local authorities do not fully understand how housing support services work and so adopt a ‘one size fits all’ approach for the procurement of services across the authority. This is not always helpful or appropriate when procuring services that deliver support to vulnerable and socially excluded people.

*In response to the issue raised above we do know that in some areas, authorities exercise the greater flexibility allowed in the procurement of services which are classed as a Part B services under the EU procurement rules.

There is a legal definition of Part B services and this provides a route map through the EU process which explain the flexibility which is available. These can include:

- Health services
- Education services
- Recreational, cultural and sporting services

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1 The chest is the procurement route

2
In comparison Part A services include:

- Computer and related services
- Accounting services
- Architectural and consultancy services

The Regulations themselves do not require any form of prior advertising in the OJEU or competitive tendering of Part B services. Nevertheless it is still important that local authorities provide a fair and open competitive tendering process. Commissioners will be governed by their own LAs Standing Orders about whether advertising elsewhere is required. It should be noted that obligations of transparency, equal treatment, non-discrimination and proportionality that derive directly from the Treaty on the Functioning of the European Union (TFEU) still apply.

2. Common issues from the responses collated from the perspective of Providers

- 58% said that smaller providers lose out as they don’t have capacity, or understanding of how to compete through the tendering processes (we found that smaller providers don’t have economies of scale and so it can be more expensive for them). 38% suggested that SMEs do lose out in some cases, despite sometimes being able to achieve better outcomes and having local understanding.

There are issues for small providers at the PQQ stage. For example, the PQQ may state that a number of policies and procedures are required and this can be a barrier in as much as a sole trader or very small provider will not have all the necessary policies in place and so do not get through PQQ stage. see procurement.cabinetoffice.gov.uk/policy-capability/latest-policy-and-regulations/smes for advice on user friendly advice on PQQs for SMEs which gives advice on this issue)

For small providers issues with the financial requirement for organisation turnover to be 25% of the contract sum (over the period of the contract). If contracts are large then it is not possible for small providers to meet the requirement. see procurement.cabinetoffice.gov.uk/policy-capability/latest-policy-and-regulations/smes for advice on user friendly advice on PQQs for SMEs which gives advice on this issue)

Large providers appear to be better placed to complete PQQ/ITT documentation to a higher standard, which is more difficult for a provider with less infrastructure/capacity and less experience of writing tenders and managing the process effectively. (see procurement.cabinetoffice.gov.uk/policy-capability/latest-policy-and-regulations/smes for advice on user friendly advice on PQQs for SMEs which gives advice on this issue)
The use of Frameworks nationally

From the information collated there have been differing approaches to the use of frameworks by local authorities, so providers’ experiences of the frameworks have been mixed. Although it is expected that authorities should consider all capable and suitable suppliers who are on the framework, there has been some evidence suggesting that in some cases the framework has been set up in a way that makes it not much more than a preferred provider list, with some call-offs done by subsequent mini-tender. In other cases, multiple commissioners, a wide range of service types, requirements for evaluation of price as well as quality at tender stage have created a very complicated and challenging process.

For smaller providers, complicated processes to actually get onto the framework have created additional obstacles. Where frameworks have been used to bring together collections for much larger contracts, smaller providers have found themselves at a disadvantage and feel side-lined.

The varying requirements around pricing have also been challenging. For example, we have been informed that in some areas authorities have asked providers to offer a price which may be held for up to seven years and this has created a range of potentially perverse incentives. One of which is that providers include additional costs in order to protect the service against future costs. These costs may actually never materialise and so it may be that a local authority will pay more for a service than it actually costs to run it.

Alternatively, some authorities have utilised the framework with ceiling prices, which may have driven smaller, more niche providers out of the market.

To try and address the problems for small providers the moving to larger contracts, Sitra has included, within their work on frameworks, opportunities for providers to meet together to think through consortia or sub-contracting opportunities. Authorities have largely welcomed this, but have generally not in practice allowed sufficient time in their tendering timetable for partnerships to be developed and rarely recognise the operational and cultural challenges that setting up a consortia to bid for and deliver contracts involves. www.sitra.com

NEXT STEPS – SEMINARS FOR COMMISSIONERS AND PROVIDERS

The information provided from Authorities and providers have raised a number of issues about the various ways of procuring housing support services. CIH will therefore run several seminars which will enable both commissioners and providers:

- to explore these issues further
- to look at areas of good practice.
to consider solutions to improve the process for both commissioning and procurement

In addition as it appears that there remain significant issues and possibly some misunderstanding around EU procurement rules, particularly in relation to part A and part B services. Although local authorities have complete discretion as to whether or not they opt for housing support services to come under part A or part B we will as part of the seminar hold a workshop to help participants to understand the choices and flexibilities that are allowed for within the EU regulations. We will also provide copies of the previous procurement guidance published by Cabinet Office, DCLG and Sitra. We believe authorities and providers will find these documents helpful. Cabinet Office will also attend the seminars to discuss Contracts Finder

Invitations to the seminars will be placed on the CIH website.

Annex 1 Areas that Local Authorities consider to be Positive Practice

- Running of supplier days to show how to use e-tendering system. Development of an SME friendly PQQ.  see procurement.cabinetoffice.gov.uk/policy-capability/latest-policy-and-regulations/smes for advice on user friendly advice on PQQs for SMEs)

- Work closely with the voluntary sector to produce guidance and puts guidance and information in respect of commissioning on the website

- Arranging procurement exercises under OJEU levels that are aimed at small providers whereby the authority asks providers to specify the actual service, the outcomes. Monitoring is then undertaken using a combination of peer monitoring and monitoring achievements of the outcomes set by the providers themselves.

- Procurement is carried out by publishing broad strategic LA objectives & innovative ideas are invited to meet local need. A series of open questions are set in the Request For Quote which are kept deliberately straightforward.

- Encourage consortia bids by providing advice on how this might be done.

- Offer to pay for procurement training.

- Use the local Voluntary Sector Umbrella organisation to work with individual providers in preparing them for the procurement challenge
- Use the CVS, or a voluntary infrastructure organisation to provide training in consortium and joint working and explain the tender processes and how to prepare.

- Run capacity building events for smaller providers.

- Funding capacity building service for the supported housing sector and through this a series of procurement training is offered and delivered by a third party.

- Offer of formal feedback to all bidding organisations, through a face-to-face meeting plus written commentary on each answer submitted. Running "meet the buyer sessions" for individual contracts, at which the local authority will explain the process, including registration on the e-tendering portal, how to complete the on-line questionnaires and the sort of information the authority would expect applicants to provide.

- One-to-one support made available to all providers regardless of the size of the provider.

- To encourage the development of consortia that is led by a large regional or national provider that works with a number of smaller local providers. This collaborative approach enables submission of joint bids, and offers the smaller providers access to policies and procedures, across a range of areas such as safeguarding, service development and tendering.

- Getting people who use services involved throughout the commissioning cycle from consultation through to being key members of tender evaluation panels.

- As part of commissioning/procurement projects, facilitation of dialogue days with providers that provide an opportunity to engage/consult with providers as part of shaping a vision or in directing commissioning activity (e.g. understanding need/ demand/ supply/ opportunities/outcomes

- Prior to the start of the procurement exercises tenders are advertised and providers are invited to market days where authorities can share the final vision and service specification alongside introducing the tender process. Members of the procurement team are also available to answer questions regarding the procurement process and next steps.

- Ensuring that adequate handover periods from when the contract is awarded to contract start date, to allow for TUPE considerations etc. For example for floating support allowing 3 months, for accommodation based services consider 6 months.
➢ Tenders for accommodation based services include landlords that were not also bidding as providers – to set and score a question relating to housing management skills at PQQ stage.

➢ Helping small providers in capacity building in respect of preparing PQQ and ITT stage for small providers see procurement.cabinetoffice.gov.uk/policy-capability/latest-policy-and-regulations/smes for advice on user friendly advice on PQQs for SMEs)
Annex 2 Further issues raised by small providers in respect of local tendering and procurement processes

- Lack of expertise and capacity often scheme managers and front line staff have to complete tendering exercise
- Time (can you expand)
- Lack of ability to diversify into other areas of supported housing
- Time issues – cannot respond to remodelling of service provision with the time allocated
- Bureaucracy and paperwork
- Financial backing/reserves/overhead costs
- LA tendency to aggregate services together for volume efficiencies
- Doubt about the value of local SME to local authority
- Being able to market the social value or cost benefit of their organisation
- Ability to present a ‘professional’ bid
- Limited experience of submitting bids
- Confidence to bid
- Not understanding the market place, including being able to position themselves in terms of cost and opportunities for consortia etc
- Some supported housing tenders in the past 18 months have been won by large providers all small providers have lost out on their contracts. This has resulted in £5M of investment going to large providers.
- Robust documentation of policies and procedures that evidence robustness
- Demonstrating commissioning for outcomes that shows impact of their services- more difficult if you support a smaller client number, lack the up to date models of delivery, not sufficiently up to date with outcome measurements and appropriate tools

UNCLASSIFIED
TUPE issues for providers – often have no support following the tender process which impacts on staff terms and conditions

Accreditation – if the contract value is too high they would not be considered and if their organisation doesn’t have a high enough financial accreditation they can’t be considered