

## Network for Change

### Main theme: Selling and contracting with the public sector

Network for Change is an award winning voluntary sector organisation specialising in supporting the recovery of adults whose mental distress has a significant impact on their quality of life. They provide supported housing, floating support, operate an outreach service and run a resource centre that provides classes and activities. They have been operating since 1989 and for a long time the organisation was financed with grants from the local PCTs and Social Services. However in 2003 a new government initiative led to Network for Change entering into contracts to deliver their services. General Manager Darren O'Brien explains how the organisation has adapted to contract with the public sector...

*"Well it goes back to the beginning of the 'Supporting People' programme in 2003. The idea was to grow the market for supported housing and lots of organisations like ours were allocated a pot of money to provide for a wide range of vulnerable adults, from those with mental health problems to the homeless, traveller communities and so on. The aim is to support people to gain and secure tenancy, and support and promote independence so they become less reliant on services such as hospital or residential care. In 2003 we were part of a local pilot that transferred our grants from the PCT and Social Services and converted them into contracts within the new pot of money. Only the money for our outreach service remained as a PCT grant and that's slowly being converted into contracts. In 2003 we were funded almost entirely by grants and now contracts are about two thirds of our revenue."*

The shift from grants to contracts has benefited Network for Change by improving financial stability and enabling them to

expand the services they offer to their clients...

*"The contracts gave us a stable income for five years and because it was a new pot of money we were able to claim for the full costs of delivering our service, which we found is not usually the case with grants."*

*Having a regular income also allowed us to move into a bigger building and set up our resource centre where we run classes and activities. Providing supported housing is one thing but for our client group it's also important for them to have something to do during the day and opportunities to improve their skills. The resource centre is really valuable and although it's supported by grant funding we wouldn't have been able to set it up without regular income that we get from contracts."*

Having moved from grants to contracting there have been further change, and Network for Change now faces competition from the private sector...

*"As a voluntary sector organisation we've built up a great reputation locally for the quality of our service. We have very strong values such as making sure we're employing the right people to work with our client group who have very specialist needs. However since the credit crunch, and the perceived impact on public services, we're finding that price has become more important than quality when local authorities and PCTs are commissioning for new contracts."*

*Recently we made a competitive bid to renew a small contract we already had with the Leicestershire County Supporting People Team and we lost out purely because of cost. We've had commissioners telling us that we were by far the best organisation in terms of our quality of service but that our higher costs excluded us from winning the contract. Increasingly*



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*the commissioners seem to be going for the cheaper provider but often those providers may lack expertise to deal with the specialist needs of our client group. it's a counter productive strategy because ultimately they'll end up back in hospital putting more of a strain on health and social care."*

Looking to the future Network for Change is exploring options to change their business model so they are less sensitive to competitive pressures...

*"It's challenging for local organisations like us to compete with the private sector and national voluntary organisations because they can subsidise the cost of contracts with funding from elsewhere. We know that some of our competitors actually put in bids where they're running at a loss but local organisations like us just can't do that, particularly in mental health because it's not a popular cause for fundraising.*

*'Personalisation' is an interesting area. It's part of the government's 'Choice' agenda in social care, and gives purchasing power directly to the service users. Rather than the local authority buying our services 'en bloc' for clients, our service users are each given an individual budget to buy their support. We offer them our services for a price and they can choose whether or not to buy their support. We offer them our services for a price and they can choose whether or not to buy it from us – so we operate more like a commercial business. This is where our reputation for quality and long-standing relationships with our client group can come into play. It can be challenging to make this work because the budget they're given is small but we are working with a local charity and social workers to secure extra funding for individuals that need the kind of specialist support we provide.*

*"In recent years we've also been looking at setting up a social firm because the employment rates for our client group are*

*really low and a lot of employment initiatives aren't really suitable. I know of a hotel in Edinburgh where 50% of the staff have long term mental health problems. Its run by an organisation called Fourth Sector. The hotel provides meaningful employment and the profits are used to provide extra support. I think that could work really well for us because our clients would know they were working for a trusted organisation that understood their specific needs.*

*We're getting advice from Social Investment Business at the moment. They're able to offer various grants and loans to expand our capacity, and we're made a couple of applications to their funds. We're confident that we can keep moving forward as an organisation and adapt to the pressures of a competitive environment."*

### Key lessons:

- Working with contracts instead of grants can improve financial stability
- Entering contracts will expose an organisation to competition
- Adapt to change

Legal structure: Industrial and Provident Society

Main activity: Public sector contracts

Turnover: £700,000

Location: Leicester

Date formed: 1989

Percentage of generated income: 66%

Date written: February 2010

Website:

[www.networkforchange.org.uk](http://www.networkforchange.org.uk)

**This case study is one of a series produced by the Capacity Builders funded 'Stepping Up To Enterprise' project in the East Midlands.**

**The case studies tell the stories of voluntary or community organisations and how they moved to developing trading. The case studies are available on the website [www.oneeastmidlands.org.uk/sute](http://www.oneeastmidlands.org.uk/sute).**