

St Mungo's

Response to the DWP's Commissioning Strategy interim report

Consultation Response

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About St Mungo's

St Mungo's is London's largest charity for homeless people.

Our services run day and night, every day of the year to help homeless men and women lead the lives they aspire to.

Our vision is that everyone should have a decent place to live, something meaningful to do, and satisfying relationships with other people – as well as the good health to enjoy them.

We know from experience that there is no such thing as “hard-to-reach” people, only hard-to-reach services and, as a result, we help more than 10,000 homeless and vulnerable people each year to find responsive and integrated solutions for problems with housing, employment, training and health.

Executive Summary

St Mungo's broadly welcome the direction of travel signalled by the interim report.

In particular, we welcome:

- The commitment to partnership working and the involvement of the third sector; St Mungo's is committed to partnership working where both parties bring complementary skills. However we would stress that partnership working often overlooks the significant transaction costs in creating and sustaining a workable partnership and is often characterised by an imbalance of power between commissioner and provider for the interactions to be truly characterised as "partnership". This is accentuated by the way in which risk is additionally transferred from commissioner to provider.
- The commitment to long contracts which will enable prime providers and sub-contractors to concentrate on quality and delivery as opposed to constantly looking at bidding for short term support and surviving.

However, "the devil is in the detail" and while the new approach should result in many positive partnership and sub-contracting arrangements to be set up, it may also result in exploitative relationships, creaming and specific disadvantaged groups not getting equitable access to services.

We would stress that third sector organisations have much to bring to the table in terms of delivering a distinctive approach based on specialist knowledge, skills and experience, however, despite the governments commitment to greater third sector involvement it is too often the case that its commissioning structures penalise those who look to provide 'joined-up services' which address overlapping and complex needs.

The proposal offers a number of opportunities but great care needs to be taken to avoid a large number of potential pit falls.

St Mungo's would specifically recommend the introduction of a system to assess the needs of customers and a requirement that prime providers will ensure a set proportion of customers are from high needs group.

St Mungo's would also recommend that the DWP introduce targets against local demographic and diversity intelligence to ensure that all groups get equitable access to services and the labour market.

Responses to Consultation Questions

The next pages contain the meat of our response, we have provided an answer when we think we have something interesting and useful to say. This means that we have not addressed every question posed in the consultation document. We have also tried to keep our answers brief so should you require an expansion or clarification of any of the ideas contained in this paper feel free to ask.

Market Structure

The principles provide a clear framework to both enable a consistent approach whilst allowing local need to be taken into account in service design. The proposal also offers the opportunity for new providers to enter the market and this is also clearly positive.

St Mungo's does however, have some concerns over the expectations that smaller providers will mainly act as sub-contractors. The concerns centre around how it is ensured that all groups within society get access to provision. For example, St Mungo's works with homeless people and rough sleepers, this group has only a 4% employment rate and many of them tell us that they do not find mainstream DWP services very accessible for them. Without some sort of guarantee from the DWP that such a group would be included what will happen is that some prime contractors will include this group and some will not, resulting in patchy provision. St Mungo's would suggest that periodically the DWP convene groups of third sector organisations to help the DWP identify communities that need specifically targeting to help inform the commissioning process.

Market development and stewardship

1. Are there other measures that we need to take in order to ensure against the loss of critical, local delivery capability?

Payment by results militates against the involvement of the smallest third sector organisations, as they cannot either cash flow the activity they engage in or afford to take the level of risk that such arrangements result in. Making a small portion of the money available on a more flexible basis will ensure that small community facing organisations can remain involved.

The DWP also needs to get contracting structures right the first time it changes a model if it wants to preserve capacity. There is no question that successful third sector services have closed down as a result of the pathways contracting. If these services are outdated and no longer fit for purpose then nothing has been lost but if that is not the case then valuable capacity and experience has been lost and it can take a long time to regain that capacity and experience.

We would suggest that the DWP carries out an assessment of capacity (and as a result potential loss of capacity when it is re-tendering) and that it uses this assessment to shape the tender specification to ensure the potential loss is minimised.

2. How prescriptive should we be in the relationship between prime contractors and sub-contractors?

The devil is in the detail! If the DWP wishes to provide a service for all disadvantaged groups in society (and that is what Leitch and Freud both indicate

is required in order to reach the Government's target of 80% employment and to tackle poverty through employment) this has to be spelt out in the agreement between the DWP and the prime contractor. The prime contractor will always seek the most effective way to hit its target in full. So if it is not clearly specified that they will engage with some hard to reach clients it is likely, at least in some cases, that they will not. The complete range of hard to reach clients that will be targeted also need to be specified to ensure that groups do not get overlooked.

We feel that there is a clear role for the DWP to prescribe to the Prime Contractors (and based on hard evidence) the communities which require personalised and specific support.

3. Should we require or advise prime contractors on how they should contract with and/or fund sub-contractors or suppliers

St Mungo's believe that the DWP has an important role to play in facilitating, managing and evaluating the relationships between prime contractors and sub-contractors. As per the Governments stated intentions (An Action Plan for Third Sector Involvement) the DWP should encourage subcontracting arrangements with third sector organisations, smaller providers and niche providers in particular.

We welcome the idea of a 'code of conduct' to govern subcontracting. St Mungo's would be delighted to help the DWP construct this 'code of conduct' should a third sector working group be created to advise on the development of such.

Our key concerns would be:

- to address the problem of back to work schemes targeting those who have the least distance to travel to the job market (creaming or cherry picking);
- to define expected approach to agreeing the structure and price of a sub-contract;
- to ensure clarity about risk and how that risk is shared between prime contractors and sub-contractors; and
- to define how project design would be handled when a prime contractor may have many subcontractors all delivering very different services to different customer groups.

6. What type of regulation will be necessary for the market to operate well?

St Mungo's would suggest two approaches to regulation to ensure equitable third sector involvement and equitable access for all potential customers.

Firstly, all prime contracts should be routinely audited against local diversity and demographic criteria. There is a lot of local diversity and demographic data that the government routinely collects, this can be used to construct 'diversity and demographic indicators' which can be used to audit.

Secondly, there needs to be a mechanism that allows an organisation that feels that services do not meet the needs of a specific group to make representation to that effect to the DWP. The DWP would need to investigate that claim and if after this investigation the DWP agreed, they should require the prime contractor to address the deficit.

Provider Capabilities

1. Is there consensus around these capabilities?

The capabilities listed are all relevant and are fine for prime contractors and subcontractors who will deliver fairly big sub-contracts. However, some subcontractors will be small but valuable because they have reach into a specific hard to reach community. In these circumstances it is important that prime contractors are willing to take the risk, as small grass roots organisations will not otherwise be able to be involved. This sort of approach could be detailed in the 'code of conduct' mooted under Market Development and Stewardship.

4. What is the appropriate stance of DWP towards provider capacity development, including the issue of consortia building?

If the DWP aims to meet the challenges set out by Leitch and Freud and if new approaches such as Pathways and the Flexible New Deal are to work then the DWP needs to be actively involved in developing the provider base it will use. We welcome the acknowledgement that the DWP is on a steep learning curve and that mistakes were made in the first phase of contracting of Pathways provision, this demonstrates why it is importance for the DWP to take an active interest in both the capacity building of its provider base and in the consortia that its prime contractors put together for delivery.

It is of course also reasonable for the DWP to expect prime contractors to invest in developing and supporting their sub-contractor base as the better their sub-contractors the better the performance of the prime contractor.

Commercial Strategy

1. Will this deliver a viable, sustainable market?

The commercial strategy described will build a market based on quantity and risk aversion. This will result in there being an overriding focus on delivery and targets, which is obviously positive, however, it does also produce a number of potential pitfalls. Not least amongst these pitfalls is the pressure such an approach would have on providers to cherry pick customers or to park ones that prove to need too much support.

The obvious solution is to introduce a system of assessment to measure the need or 'distance to the labour market' of customers. Targets can then be introduced into contracts to ensure prime providers have to engage with customers who need different levels of support to move into employment.

2. What is the right balance of risk and reward in this market place?

Prime contractors and sub-contractors that have the capacity to deliver large portions of the activity can take more risk than small organisations. If a prime provider needs to engage with small third sector organisations to get access to a specific client group then it will not be able to do so unless it is willing to absorb some of the risk. The DWP needs to make this a clear expectation of Prime Providers.

4. What is the best approach to counteract the pressure towards “cherry picking” and “parking” of customers?

St Mungo's is firmly of the opinion that only way to prevent “cherry picking” and “parking” is to introduce an assessment of customer need to the registration process and provide prime providers with targets for the proportion of customers who have a high level of need. If there is then a premium attached to those with further to travel to the labour market then there is a clear incentive to work with them.

Performance Management

St Mungo's would suggest that the DWP needs to include a measure of the spread of the service into their contracts (ie. Are all communities included?). This is essential if the challenges laid out by Leitch and Freud are to be addressed and currently what is suggested focuses on quantity and quality of service to the individual once engaged.

Reach must be measured and that can only be done if good intelligence on local need is collected and maintained by DWP.

DWP Capability

1. Have we defined the capabilities we need in DWP and jobcentre Plus?

St Mungo's would suggest that the DWP and Jobcentre Plus need to have the capability to compile and maintain good local intelligence of not just the numbers of unemployed and economically inactive people in a local area but also the needs they have and the communities (Including communities of identity) that they belong to. This intelligence is crucial if there is to be good monitoring of the appropriateness and effectiveness of subcontracting arrangements.

Customer Experience

1. Should the customer have a choice about their route into work rather than the choice of provider?

St Mungo's would support the idea that true choice is about route not provider. If I have the choice of 5 providers all delivering exactly the same product that is not really a choice at all. To maximise success a number of different approaches should be offered.

2. How should we ensure that the customer voice is heard in the development of priorities and the shaping of services at both a strategic and delivery level?

St Mungo's has found that regularly seeking customers' views on a service is a good way to learn form our mistakes and make a service more responsive to need. We have also found such activity can be very empowering to customers and can help them develop skills which make them more employable. We would suggest that not only is a comments and suggestions system available but that providers set up customer focus groups to help them evaluate services and continually improve them.

St Mungo's has also found mystery shopping to be an effective way to monitor services with a view to improving them. We work with a group of our customers who will visit services for us and give us their honest views on what works and what is more problematic.

3. How should we ensure that customers' views are taken into account in performance management?

The two Comments made above also apply to this question.

St Mungo's hope that this consultation response is useful and would be happy to expand on any of the points made should that be useful to the DWP.

For further information, please contact:

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