

CASE STUDY OF A CLINKS MEMBER - INDEPENDENCE TRUST

SUSTAINABILITY IN A CHALLENGING ENVIRONMENT

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Sustainability in a challenging environment

Independence Trust is a Clinks Member operating across the county of Gloucestershire (and more recently also in Worcestershire and Herefordshire). Until April 2013, its turnover was £3.5million and there were 130 staff. Since April 2013, its turnover has been £1.6million as it no longer has a countywide substance misuse contract due to a change of provider after the re-tender in 2012. There are now 78 staff and 40 volunteers.

This interview with the CEO covers issues of relevance to many Clinks Members, and will be of interest to public sector commissioners too. These issues include:

- Secrets of sustainability in a changing landscape.
- Recovery after losing a major contract
- The options – close down, be small and revert to grants or keep growing by tendering for new contracts and considering a merger
- Group structure
- Working in consortia – what works and what doesn't?
- Why contracts don't encourage innovation.

The interviewee was Peter Steel, the CEO of Independence Trust. It was carried out in August 2013 and published as part of the Clinks Sustainable Work with Offenders Project.

Secrets of sustainability

50 years ago your organisation started life as Gloucestershire Alcohol Service on a small grant. If you look back over the last 20 years that you've been the CEO of Independence Trust, what have been the secrets to its sustainability to keep going all that time?

It's really interesting: we've always had business plans which tell us the general direction, but one of our tactics is to be opportunistic. Over that time, we've been entrepreneurial in terms of making use of opportunities when they come along. I think that's been one of our successes.

If I think of the landmarks of the last 20 years, it's when we moved from being a smallish 'David and Goliath' thing, when we were Gloucestershire Alcohol Service, which was ticking along and growing. Then the local drug service went belly up, which was much bigger than us, and we were the first people their trustees came to and said, "Will you take it over?" So we did that and called ourselves the Gloucestershire Drug and Alcohol Service. Then six years after that in 2008 a mental health charity in the county said, "Would you take us over?" The euphemistic word we all use now is 'merging', but it was a takeover.

So there's been a very clear direction, but opportunism as well, and that's why I think we've done quite well. We changed our name in 2009 to Independence Trust because we wanted to reflect that we did more than substance misuse. We were, and still are about independence and wellbeing. Having the new name widened our focus - we bid for and won an NHS contract to run the Community Health Trainer service, and added value to that by getting a grant to take the work into the local prison (until it shut in January).

In terms of why we've grown over the years, it's because we've had a clear business plan that is the framework, the scope of what we're doing. We've delivered on all we said we were going to do, and commissioners love that, because quite a few VCS organisations they commission don't deliver what they're supposed to be delivering. We have a good reputation, I think.

I noticed you didn't use the word charity in that account of your history, you used the word business. Can you explain how you see your organisation?

We are a business, and I know it's hard for a lot of the VCS to understand that. VCS organisations are all in business, whether it's a £10,000 turnover or a £10 million turnover. We see Independence Trust as a social business. We've got a business model and we have clear products that people want to make use of and commissioners want to buy - i.e. our services. And we've got a mission. It's not about making money, it's about creating capacity, innovation and independence for people. So it's a social business.

Making a surplus is fine because when we do, that goes into our reserves. So this year the Board very happily and very clearly said, "Use some reserves to buoy up this year while we rebuild after losing the big contract." Because our Board doesn't see it as building reserves and then hanging on to them, they say "You build reserves to use when you need them". Otherwise, what's the point of having reserves? Their position has always been: have what reserves you need as a minimum, and everything else you have over that, use. Because if you've got a business, you've got a business. So it's very clear on that.

Are there any other secrets to your organisation's sustainability? What's your biggest strength?

One of our biggest strengths is the management team. We've modified over the years; we are now an organisation of projects. And we now have a management team which can manage anything, and underneath the management team is a set of projects. We can lose projects, we can gain projects, but actually management is what drives those projects.

If someone set up a new organisation of the same size as us off a blank piece of paper, they wouldn't have what we've got now. Our organisational memory now knows about losing contracts, doing TUPE, writing bids, sacking people, all those things that take years to learn. We have that in our corporate memory, in our management team. That's why the Board said, "Don't let the management team fragment just because we've lost that contract. Use reserves to keep them there".

We didn't have that structure before - we had lots of silo projects which came up to me and a director. Now, we've got all those projects coming up to *different* managers. That's a much, much stronger position. It's shifted them from project managers into organisational managers. The collective memory, the collective DNA of that management team means that we are sustainable.

Recovery after losing a major contract

So, last November you heard your consortium bid had failed to win the £6m substance misuse contract by just 2% in the scoring... how did it feel to lose well over half of your organisation's business, not just the money but the staff, the clients and that whole part of your organisational identity?

For me personally, before I came into this organisation, I'd been in business myself and on several occasions, I'd nearly been bankrupt, I'd ended up on benefits, and I'd made a shed

load of money too. So I've experienced that stuff, and recognise the symptoms in myself, what I feel like when I get a severe kickback, and what I need to do in order to pick myself back up again.

When we lost the contract, me personally, the management team, the organisation, and the clients too - we all went through trauma. Internally, it was hard for the management team because they felt ownership... that's what you've got here is a great sense of ownership. It was hard for the staff that had to be TUPE transferred over because they were going to unknown territory. It was hard for staff in our other remaining services that were not affected because nobody was giving them any attention. The internal environment was, "What the hell are we going to do in the future, because we've lost our big contract?" There was a huge amount of uncertainty rippling out across the organisation.

The options

I think it was worst for me, and maybe the organisation too, in about January/February time. I was incredibly despondent then because at that time I was giving the Board four options. My considered opinion was one option was to go forward but in the old way, which was to become a grant-receiving organisation again. So we would become a much smaller, much more community-based organisation, less contractual, and we would lose our management team.

The second one was that we struggle on to build ourselves back to what we used to be. The third one was that we find a partner to partner up with – I meant that we'd actually say, "We give up, here - have all our assets and we'll say bye bye." The fourth one was that we go out of business and disappear altogether.

At a Board meeting in January, I put my paper to the trustees, and they didn't want to hear that because they were burying their heads in the sand and just said "It's not like that Peter, you'll pull us out!" They didn't want to consider going out of business.

So no pressure then!?

Quite! We were at our lowest ebb. I wrote the business plan then, with an action plan. But the Board said "go back and rewrite the business plan because it's too depressing, too negative and not aspirational." But they did also say "use reserves to keep the management team." Three of our eight managers were going to be TUPE'd over. We asked them if they wanted to stay and they *did* want to. We said, "right, you've got a job but you might not have a job forever, because we don't know if any of us will be here in a year's time." They said, "we still want to stay." So we were able to conserve our management team, which was a really important thing as a building base as we moved on to other things in due course.

I rewrote the business plan in April/May time (after TUPE etc were over) and it was much more ambitious at getting us back to where we were. I think one of the things we found is that, individually and organisationally, we had been through the whole stages of loss and bereavement. Kubler Ross, that sort of stuff.

Can you bring it up to date with what happened between April and now – i.e. late August?

Yes, by April we were bidding for and winning contracts again. So although some commissioners thought we were a spent force when it comes to substance misuse services, we

won a drug and alcohol housing support service in Worcestershire, which made it clear we're still doing housing, we're still doing drugs and alcohol. We still run the Gloucestershire AARS [Alcohol Arrest Referral Scheme] – the funding for which was taken over by the Police and Crime Commissioner in April. That shows we're still very much in alcohol services.

So our presence in terms of drug and alcohol services was assured. That was a big philosophical change because it meant that we were still in business.

Since then we've won a lot of contracts, so many so that we almost don't have the capacity. We're struggling at the moment to have enough management capacity to deliver all these projects and put in the right bids. So that's quite a challenge.

Group structure

That's quite a turnaround – sounds like you're fully back on track after having felt completely de-railed only a few months ago.

Yes, in that six or eight months we've gone from absolute despondency to a bright future! We're now going to join a 'group structure' with a much larger organisation – although I believe now we could remain independent if we chose to, that we could earn enough from other contracts to stay independent. But the decision, and the Board is totally behind this, is that it's better for us to become part of a group structure, where we can maintain our independence but have a durable independence which means we can carry on and make a difference and have fun.

The organisation with which we're planning to go into a group structure has other products and services that complement the ones we've got, so that means we can provide a much more comprehensive offer. They've got 24/7 carelines; they've got telecare; they've got accommodation/housing; they've got a big balance sheet. But they don't have any social care, so it's two very strong organisations becoming a group structure.

That sounds like you'll be in a stronger position to bid for big contracts if you want to...?

Yes absolutely! Some of our projects, which I think are really, really good, will be going out to re-tender soon and will be rolled up into much bigger contracts. We have one particular project that we're very proud of, which is worth about £250,000. We have been told it will be rolled up with other services into a £2 million contract. So we can't pitch for our own work again, if we remain the size we are. The group structure will be complete by April 2014.

Working in consortia

It's often said that consortium working is the key to voluntary organisations winning these big contracts. What's your experience of consortium working?

I think that collectively we're doing a disservice by saying that kind of thing about VCS consortia being key to winning contracts. In the last two years we've been in about eight or nine partnerships/consortia, so I am speaking from a position of experience. I think that we need to stop seeing consortia as a panacea and get a much more realistic dialogue about what successful consortia look like. We've had one or two bad or difficult experiences, but plenty more that are good.

Ideally you spend time building relationships with potential partners long before getting together officially to write a bid and win a contract together. You have to check out each other's values and culture. I can't emphasise that enough to anyone reading this!

One of our more uncomfortable experiences was working with two other organisations last year to bid for the substance misuse contract. Only it wasn't a consortium, it was three organisations trying to do a joint bid. One of the big downsides was the other parties wouldn't sit down and spend a day to approach their values and mission philosophy. That was a mistake from day one - the basic rule of consortium is sorting that out. You put in place a set of rules for behaviour. Nobody gets it at that time, but it's when things go wrong, that's why you've got the rules to fall back on. This consortium never did that, and that's why it fell apart continuously all the way through.

So that was just opportunistic, three organisations writing a bid together. That's why I say that I now have a sense of relief that we didn't win because it would have been a total nightmare. It wasn't a consortium that came from the heart, it wasn't about saying "wouldn't it be good if we did this together? Wouldn't this be good if we could come up with some new products?" It was three organisations saying, "Oh ****, we'd better come together and do it, otherwise we'll lose our business." That's so depressing, such a waste of an opportunity. At the time I was thinking, "If only this had happened a year later, we would have done it with different partners."

On a more positive note, we did a different consortium bid two months ago and won two 'Troubled Families' contracts in this county. That was with a national VCSE organisation, a smaller local VCSE organisation and us. We're the lead contractor there and everybody understands that. Although we hadn't worked together before, there's a clarity, because we got the stuff about how you operate sorted out and written down, everybody understands what they have to do, or nearly. That's what has to happen.

We're in a further consortium, an emerging consortium in Gloucester, and it's due to happen. It's never going to work because it's come together for the wrong reasons, namely, that we'd all lost substantial grants or contracts. So **consortia have to come together for the right reason**. That might be just going for a contract, or it might be quality assurance, or it might be to campaign. But you've got to be clear about what you're coming together for.

I've heard VCS organisations say that consortia are meant to be "a partnership of equals" – that sounds great, but does it work out like that in practice in your experience?

The consortium that came together for the substance misuse tender last year was not made up of equals – one party was an NHS Trust with a £70 million turnover and a whole different culture. In some ways that was really helpful because they had gravitas, processes, resources and many other assets. But I also knew if we won it, we would have been very, very weak compared to the NHS, because despite the rhetoric, they would be running the game and that would have been that. So I think as an organisation we tried to be the mediator through the process to work together to win the bid. But there were forces acting against us, i.e. the power and size differentials and the philosophical or values differences, which made it incredibly hard. I don't know whether that made any difference to the final outcome, as we only lost by 2%, but it made the process very hard.

If somebody asked my advice, I'd say I do not think that consortiums of un-equals should get together. If you're going to be a consortium of un-equals, you have to have a contractual relationship rather than a negotiating relationship. Our organisation isn't big and we're not small either - but there's a frustration when I get into consortia with other organisations

because their culture means that they operate in a different way. I know we must frustrate them, just as they frustrate us!

It's much clearer and more honest if you say, "This is a consortium and on this occasion Independence Trust will be a subcontractor, in that occasion we'll be a lead contractor." We've got to cut through the nonsense of it being about equals and relationships and based on friendly co-operation. Because at some point it has to come down to the contractual basis, and that's when VCS people don't like it because it talks about not being equal.

Are you referring to the fact that, unless the consortium is constituted separately e.g. as a 'special purpose vehicle', then one member has to put itself forward in any bid to be the lead contractor, and then it has to subcontract the other members?

Yes exactly that. That's what commissioners want and need - one signatory. That's the reality. But it feels like the VCS wants to do everything in the 'equal' way and my experience is that consortia who want to do everything in an equal way never do anything, it just doesn't work.

The hard bit in my experience is that consortia of unequal sized partners don't work. However, a legal relationship does work. I've been talking to some small organisations recently in Herefordshire. They want to be subcontracted. They feel comfortable about being subcontracted by a bigger VCS organisation, where it feels they have a voice and they understand what it is they have to do.

More recently, we formed a consortium with two Housing Associations to bid for a contract where it was more like three equals. In fact we were different sized organisations but we all had a level of maturity in forming partnerships, so it worked. That was such a pleasure because everybody had done it before. Everybody knew the aim was: to go for a contract and we quickly agreed one of them would be the lead body. So it wasn't all about being total equals and nice to each other... well, of course we were being nice, but it wasn't about coming together to create a better world, it was saying, "We're going for this contract!"

Why contracts don't encourage innovation

You said when we were chatting before this interview that you thought contracting is "very linear and that the real work in communities will go on below the radar". Can you say a bit more about why you think that?

Because in our experience, what contracts don't do is innovation. Contracts do innovation to start with, because you've got to do innovation – it says so!

You mean the tender specification states you've got to come up with an innovative way of providing the service in question?

Yes, which is usually the same as just reshuffling the pack. The contract says, "Do innovation" so on Day One you've got innovation, but on Day Two you haven't.

One of the problems we have with contracts now, especially for working with offenders and in the health arena is the tyranny of evidence. They only award a contract for you to work in an evidence-based way, and an evidence-based way doesn't allow for innovation. You can have innovative interpretations of the evidence, but it's still the evidence, and evidence should be dismantled continuously as you come up with new evidence.

So if contracts make services linear and you want to work more flexibly to meet needs, and fly 'below the radar' of contracts, how will you get funding for that?

For me the only way you're going to do innovation is to get grants or earn money or beg, borrow or something else. That's the only way we're going to get innovation. So for me, the way I see grants is not just about begging bowls, giving money away: "Give me a grant because we're a nice organisation." Rather, in a perfect world it would be a public sector body saying, "We've got a hypothesis which says this, and we're prepared to put in £50,000 to test it." It's the risk money. It's them saying, "We've had this contract, but I think we should be doing something else here too." So an expression of interest would be asking what you could do with a £50,000 investment to test that.

It's about commissioners actually saying, "We think that since we awarded that seven year contract, the world's changed and we want somebody else to test something to see if we need to change that there."

I think the idea of small grants e.g. £5,000 to a lunch club in a local village can make a world of difference to 100 people. But in order to bring about bigger change, there needs to be some sort of innovation grants or something like that. I'll argue with anybody about this. You cannot keep using the tyranny of evidence as a way of awarding and controlling contracts. Because then you just get an ossified system.

If you give more money to the people that have got the contract, they'll just do more of what they're already doing. It has to be given to somebody else, so the terrier starts biting at the heels of the big contract.

So that's the under the radar bit?

Yes, that's what I figure. Currently we're doing that with putting three or four bids in to work in a completely different way, which I don't want publicised, but they are with CCGs [Clinical Commissioning Groups] who really 'get' this innovation idea as they really want to solve problems in new ways, not old ways. It has to start under the radar of linear contracts, by funding this kind of work differently.

I hope you can report back to Clinks in a year or two's time about that new and innovative work if it gets funded. Good luck, and thank you for sharing your experiences with Clinks Members through this interview.

The interview was carried out on behalf of Clinks by:

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