**Case study 6**

**Developing a new, not-for-profit company: South West Association of Training Providers Ltd (SWATPro)**

**Overview**

South West Association of Training Providers Ltd (SWATPro) is a new organisation that combines members from two existing South West training provider networks, with SWATPro Ltd holding the contract with the Skills Funding Agency.

**Why read this case study?**

This case study summarises the creation of a new, not-for-profit company that describes itself as a ‘joint venture’. SWATPro is owned by its members who are subcontracted to SWATPro Ltd. It will be of interest if you are considering how an arrangement like this might operate: combining a lead contractor/ subcontractor model with the concept of membership and equality of involvement.

**Partnership profile**

SWATPro Ltd is a new organisation: a company limited by guarantee and not for profit, with a current total contract value of about £1.2 million. At the point of launch, it had five members who were affected by Minimum Contract Levels (MCL) who brought in their contracts and four members not yet affected. In December 2011, SWATPro was approached by a prospective member who had placed its contract with a provider that then sold its business. So, there are now six provider/subcontractors. All its signed-up members are equally engaged in the decision-making of the company through representation on its board. It has a part-time Executive Chair, and a full-time Quality Improvement Manager and part-time Management Information (MI) & Compliance Manager.

**“The key thing is that the company is limited by guarantee and not for profit – it’s a joint venture approach. The partners are determined to make it work. They are committed and have put in their own funding.”**

Rod Davis, SWATPro Ltd

The interviews were undertaken in two sets: in July 2011 with the Executive Chair and two partners to capture arrangements at the planning stage and in March 2012 to find out about how these had materialised in practice and any new issues emerging.

**Developing new contract arrangements**

1. **What type of contracting arrangement did you set up?**

The idea grew out of early action in May 2010 by the Dorset and Somerset Training Provider Network to inform its members about MCL and its impact. Through its Chair, it teamed up with colleagues in the Devon and Cornwall Network and members started to look collectively at different options. Colleges and others were invited to present their offers and discussions were held over the summer. This resulted in the two SW networks asking the Chair to design a model on behalf of them both.

Providers wanted to “maintain their sovereignty, independence and control” and were concerned at the potential risk to their businesses. Several had complex ownership models and these could not have been well accommodated within college or other provider contracting. For example, Puffins Training, one of the providers interviewed and affected by MCL, trains staff for its sister group of early years' settings, initially through level 2 Apprenticeships. It considered two broad options: “partnership with people we knew, or go with approaches from large providers”. It was looking carefully at fee levels and value-for-money and was chiefly anxious about the threat to its business:

“Perceptions were that organisations were trying to buy up your contract value. Colleges are run completely differently and might not offer you the contract the next year. It might be beneficial but would they care about your business? Would we really be valued?”

Gillian Fawcett, Puffins Training Ltd

The second provider interviewed was not going to be affected by MCL but still received “blanket letters”. The decision of the Managing Director to join SWATPro was determined by a number of factors. He saw the model of a not-for-profit company, limited by guarantee, with each member having a seat on the board, as an effective and persuasive one; he knew most of the prospective partners and liked the diversity of the businesses (“a good group”); he had great confidence in the Executive Chair to manage both the set-up stages and the new company due to the scope and level of the Chair’s previous experience as a large provider; and he saw the benefits of getting in early:

“If we didn’t do it when we did, we thought we would be left with less choice. We wanted to get in at the start and contribute.”

Jamie Rail, Focus Training (SW) Ltd

The decision was taken by October 2010 to press ahead with developing SWATPro Ltd. The required processes, including setting up the company and due diligence, were completed by January 2011.

The contracting arrangement now set up and approved through ACTOR is described by SWATPro as a ‘joint venture’. Technically, it is a lead contract with subcontractors, but in its spirit and operations it functions as a consortium of equal partners. All members who committed themselves were accepted – no-one was excluded. Companies have a mix of Ofsted inspection grades 2 and 3 with the majority on grade 2.

“When the first ACTOR submission was not approved, around the table was the thought that SWATPro was where we want to be. This was the embedding point.”

Rod Davis

1. **How does it work?**
* **Shared leadership and governance**

Every member has signed a [contracting agreement](http://www.excellencegateway.org.uk/page.aspx?o=329682) and has one director on the board, generally the chief executive. In addition, as a subcontractor, each has signed a much more detailed [Service Level Agreement that incorporates Operations and Quality manuals](http://www.excellencegateway.org.uk/page.aspx?o=329685)**.** This was drawn up with contributions and support from the LSIS MCL support team.

At present, the board is meeting monthly quarterly and face-to-face, despite the difficulties of SW geography. The on-going role of the board is to provide governance, strategic leadership and plan increased efficiencies through sharing services.

* **Financial arrangements**

The management fee has been set at 10% with the aim of reducing the fee when new members join. All members shared the start-up costs equally, a considerable sum for the smaller organisations. The substantial time taken for Skills Funding Agency approval resulted in an increase in anticipated costs.

* **Quality assurance arrangements**

SWATPro’s aim is to have a positive impact on provider quality in order to raise potential Ofsted grades.

Baseline information was initially provided through the Due Diligence undertaken with each member, and most members had recent Ofsted reports. The Service Level Agreement outlines quality requirements and processes and these are complemented by the Operations and Quality manuals. The role of the quality improvement (QI) manager is to monitor and audit quality, support members to improve their performance and to manage standardising the approach over the first year. All members were part of the selection process for the post.

In practice, the QI manager’s role also accommodates related functions such as financial audit in order to make the most of his time out on visits. The limits of the resources have encouraged smart thinking. SWATPro is also leading on the introduction of a peer review process that focuses on QI.

* **Operations**

Providers are responsible for the effective running of their businesses and clearly all have their own systems and procedures. SWATPro’s central resource is slim and its intention is to place effort where it is most appropriate. Its approach to partner processes is to operate a “moderating” role, although it has had to intervene in some cases.

The partnership’s preferred method is to work from an evidence base and evolve standardised procedures where necessary. No-one wants to exchange an approach which they consider high quality for one they believe will be less effective: “It has to be worth a partner’s while.” At present, the focus is the learner review process. SWATPro has both monitored the systems in use by all providers and gone back to Ofsted reports. The evidence compiled has contributed to a risk assessment. In parallel, with LSIS MCL support, partners went through the SAR process as a group and learner review was identified as a theme for the Quality Improvement Plan. Since then, everyone has come together to agree a standard list of requirements against which providers have mapped their own approach. This identification of strengths, weaknesses and gaps has resulted in a specification of the “ideal process” along with development of the tools needed. The expectation is that everyone will adopt these.

* **Shared services such as procurement and data share**

The MIS platform chosen was already familiar to two of the members. Once in place, the MIS provider trained all the partners to enable them to input their own data into their sector of the database. They are able to access the system and use reporting facilities for themselves. The MI & Compliance manager monitors the data on behalf of SWATPro and manages submissions to the Agency. Currently, SWATPro is encouraging providers to work on their data analysis practice as part of improving performance management.

There are no other shared services being planned at the moment, but options could include sharing or temporarily borrowing each other’s offices and joint procurement related to Awarding Bodies. However, SWATPro is looking at a partnership approach to Matrix approval to streamline the service and make savings in assessment. The majority of partners are approved and approaching re-assessment.

1. **What do you see as the challenges and risks?**

The challenges in setting up SWATPro have been relatively minimal because providers committed themselves at the outset: “They were over the line by November 2010”.

One significant initial challenge perceived by the Executive Chair was what he called “building the psychological contract”. Several prospective members were unknown to each other and found questions about ability to perform, quality and capacity difficult and uncomfortable. This is where holding the meetings face-to-face has paid off: trust and a sense of shared integrity emerged. Discussions were conducted in a professional manner and issues resolved. The Chair believes it is “commendable” that members “bought in very quickly” given that the undertaking was a critical one for their businesses.

Looking ahead in July 2011, the Executive Chair saw the challenges as being:

* managing the cash flow and making sure there were funds to manage the business;
* managing quality across the contract. He foresaw difficult conversations as some providers would have “a development journey”. A peer review approach was in development based on the existing and positive experience of some of the members. This challenge was re-iterated by the providers who believed that fluctuations in individual quality would reflect on everyone: “All have good or outstanding and we will need to keep this up. All have to become outstanding.” The QI Manager is a critical role as policy, paperwork and practice all have to be brought together quickly;
* pulling it all together: it had to work operationally and take account of the geography of the SW.

The Executive Chair believed the risk register would be a helpful monitoring mechanism.

The larger provider interviewed in 2011 felt that his organisation would experience the benefits without as much risk. In his view, for those with their contracts in, funding would have to be moved around if any one was underperforming to ensure that no hole emerged in the budget. However, on balance, he was not “overly concerned” as, if necessary, the non-MCL affected partners in SWATPro might be able to take up some of the contract if there was “slack”.

One of the providers who was affected by MCL saw an additional on-going challenge: “really sharing information”, given that these companies were used to being self-running and taking decisions independently. She concluded that it would mean each organisation developing an awareness of what it was important – or even critical - to share, particularly at the level of detail.

“We will need to work on trust and admit to mistakes. We are not used to saying: ‘Is it okay if we do this?’”

Gillian Fawcett

The other provider interviewed agreed: “A different mindset is needed. Small providers now need to act as one larger provider.”

In March 2012, the Executive Chair reported on two challenges:

* Time: “Time to fit everything in is a challenge …what you plan for and what happens can be different, and often for positive reasons.” He gave the example of the new partner: the due diligence process and getting them up to speed was time-consuming, but the outcome has been very beneficial;
* Communication: the lesson here has been that one size does not fit all. There are differing levels of understanding and capability across the partnership and blanket communications do not have the desired impact. Each piece of communication needs tuning for purpose and a specific and individual audience. “We have to remember we are not their manager – we are not in a hierarchical relationship. This is where partnership has to work.”

1. **What do you see as the benefits of this type of contracting arrangement?**

Speaking in March 2012, the Executive Chair sees SWATPro as working very well. No provision has been lost: this is particularly critical for a geographical area where provision is widely dispersed. In the view of the Executive Chair, those affected by MCL “have got a pretty good deal and not just financial. They have their sovereignty, independence and security, and ability to develop as a company”. Over time, it is hoped that shared services will save some of the companies money.

The provider who was affected by MCL when interviewed in 2011 said she had already seen quite a few benefits “and there seem to be more and more”. Because each organisation has a seat on the board and a vote, she felt she has a direct influence: “It feels like our company and it belongs to us”. One key aspect for her was to be able to influence the level of management fee and what it is spent on. She was also looking forward to working with peers on best practice and thought there was great potential. Puffins trains staff for its sister company and so marketing, for example, has not been necessary. Puffins’ Managing Director saw opportunities to learn more about marketing practice from colleagues and, perhaps, to expand her business through wider communications. She anticipated that at marketing events, she and colleagues would be able to speak knowledgeably about and “sell” SWATPro-wide training and pass business to each other. SWATPro members are trading and triggering ideas at meetings.

“I am very excited about this.”

Gillian Fawcett

The larger provider interviewed had not seen any benefits to date but shared the view that joint marketing would have value in the future because the consortium as a whole can offer a diversity of opportunity that will be attractive. The Managing Director also believed that SWATPro should provide more flexibility related to the allocation and re-allocation of contract value, and that SWATPro should stand a better chance of expanding business through joint bidding, for example to the Agency:

“I see it growing. It could be a substantial force.”

Jamie Rail

The benefit of flexibility was confirmed in spring 2012. Some re-allocation has been managed successfully and the new partner has helped with places. SWATPro is producing a statement of position every month set against provider profile, with an indication of consequent impact and a projection of longer-term trend if the current performance were to continue. This tool helps providers keep on top of their data.

In 2012, The Executive Chair summarised SWATPro’s successes: “The business is healthy, we’ve got a 95% achievement rate which is 10% higher than the aggregated data from the equivalent period last year, and we’re still cohesive and intact as a partnership.”

1. **What next?**

The longer-term aim is growth with quality. There are two reasons why this is important:

* The need to increase working capital. The management fee is low but the promise to partners is that it will be reduced further as soon as possible. This can only happen if the number of partners is increased as the income is already tight for building resources and capacity within SWATPro.
* The desire to bid for additional government contracts. At present the partnership is too small for this to be feasible.
1. **Key factors for success**

Two interdependent factors are immediately apparent from the case study:

* Trust: trust of partners to commit at a very early stage – including those not yet affected by MCL, trust in the Executive Chair to move ahead purposefully based on decisions informed by group views, trust that diverse businesses can learn from each other and agree to act – and adapt if necessary - for the benefit of all;
* The collaborative approach: from the start, discussions and decisions have been collective. This may have made development a little slower, but the outcomes have been better understood and more comprehensive. Improvements in performance are a partnership success.

“The partnership element is getting stronger and stronger.”

Rod Davis

Contributors were: Rod Davis, Executive Chair, SWATPro Ltd; Gillian Fawcett, Managing Director, Puffins Training Ltd and Jamie Rail, Managing Director, Focus Training (SW) Ltd