

Social Enterprise Coalition Response to the Transformational Government Dialogue

Introduction

The Social Enterprise Coalition ('Coalition') was established in 2002 as the national body for social enterprise. The Coalition represents a wide range of social enterprises, umbrella bodies and networks, with a combined membership reaching over 10,500 social enterprises. These include co-operatives and mutuals, development trusts, housing associations, leisure and football supporters' trusts and Social Firms.

Social enterprises are businesses with primarily social or environmental objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners. Recent estimates by the Government suggest there are over 55,000 social enterprises with employees in the UK, with a combined turnover of £27bn a year and contributing £8.4bn to annual GDP.

Why it is different

The Coalition is keen to ensure that the government and European Information Society Group (EURIM) in their proposals recognise the distinct nature of social enterprise. Whilst social enterprises have similarities to both private sector and third sector providers, they are different from both, and do not fall into either category.

Social enterprise is a distinct model of public service delivery. Like the private sector social enterprise apply business like efficiencies, however where they differ is that social enterprises are motivated by a set of values and social purposes – typically to improve the situation of those who receive their services. Their mission, ownership structure and reinvestment of profit means that they do not pursue the short term maximisation of profit which can impact on the quality of service delivered.

It is important that in aiming to transform the delivery of public services through the use of a mixed economy model that the group recognises the full diversity of service providers.

Delivering Public Services

Strong Track Record

Social enterprises are already providing public services across a wide range of sectors including recycling, leisure and health. Many social enterprises hold a large number of high value contracts with local authorities, PCTs, and central government providing innovative and practical solutions to the delivery of public service across the UK, actively competing in sectors from recycling and waste management to health and social care.

Examples include Greenwich Leisure, contracted to a number of London councils to offer public sports facilities, the ECT Group who provide transport and recycling facilities to more than 18 local authorities and Turning Point who deliver health and anti-addiction services across the country.

Delivering value for money services

Social enterprise is about delivering better public services, and about giving government better value for money. The Coalition is pleased that EURIM recognises that better value services does not

equate to a renewed cost cutting drive. Efficient delivery needs to reflect value beyond unit cost and should take a longer term approach.

Social enterprises often offer a better value for money solution in a number of ways.

Joining up services – recycling and welfare

Social enterprises are able to offer better value for money, by adding wider social and economic benefits to the core service. This can allow additional community benefits such as the creation of jobs, for disadvantaged groups to be realised within the provision of an important community service.

Bulky Bob's, is a social enterprise based in the North West of England. Their core business involves contracts with a number of councils to recycle bulky waste. In addition to large environmental gains by increasing recycling rates from zero to 70 percent, they have made large social contributions by employing and training long-term unemployed people.

Long-term perspective and preventative

Social enterprises often take a longer term perspective delivering preventative rather than reactive service design. Early intervention can often significantly reduce the long term cost to the government by reducing costly dependency on welfare system or long term health problems.

CIP Hounslow, provides leisure and cultural services with the explicit purpose of improving the skills of disadvantaged people. They also manage commercial grounds and parks, providing the facilities to reduce long term health problems. They also provide children's services in disadvantaged areas and literary services to prisoners. With a turnover of £20 million CIP save taxpayers over £600,000 a year.

Engaging with hard to reach groups

Social enterprises are often able to connect with service users, who due to a complex set of social circumstances may feel unable to access traditional government services. The result of this can often be that, due to a lack of early intervention there is a much greater demand on public services in the long term. Social enterprises are able to build up trusting relationships with service users, as they are seen as being independent and take time to focus services around the user.

The Open Door centre (A Department of Health Pathfinder) was established this year to meet the needs of some of the most excluded individuals in Grimsby, one of the poorest areas in the England. The centre was co-designed and co-created with its intended users resulting in a centre that is designed to be a place of safety, somewhere warm and non-judgmental where people really want to come. The Open Door looks beyond just the health needs of its users, providing services such as support into employment, gardening and music therapies and cooking skills in addition to a wide range of primary care services.

Involving staff in decision making process therefore lower staff turn over

Social enterprises often place a high priority on staff involvement, allowing staff to take a full role in the running of the business. This generally leads to a better designed service along with greater levels of staff satisfaction, as they feel valued in the workplace.

Sandwell Community Caring Trust has created an organisational culture that has had a significant impact not only on the staff but also on the quality of services they deliver. There is now low staff

turnover, and staff absenteeism has fallen from 22 days a year to less than one. Employees feel empowered to develop strong, long-term relationships with service users, which has consequently increased the quality of patient care.

For these reasons social enterprise has a key role to play in both supporting and realising the transformation government agenda, through its ability to fuse, better value and better services, and its potential to lead the way.

The Benefits of Social Enterprise

Social enterprises operating within the delivery of public services are able to provide a number of benefits that may not be achievable to the same extent if the service was provided by the public or private sector.

Innovation

Innovation in delivery of public services will be vital if better value services are to succeed. By combining a public service ethos with the entrepreneurial drive of a business approach, social enterprises are highly effective vehicles for innovation, providing solutions to social problem. As social enterprises operate outside of the public sector structure they are able to take advantage of non-bureaucratic methods of working. Being less constrained allows them a greater freedom to innovate. As a result of this social enterprises can often come up with new models of collaborative practice that can be translated across the public sector.

Customer needs

In a well functioning market the private sector usually has an incentive to respond to customers' needs, but this is not always so in public services. The private sector will focus on fulfilling the needs of a contract agreed with the public sector – which, in order to be measurable, are often output based – rather than placing a focus on the outcomes for the user. As multiple needs are often complex and interlinked, it is difficult to separate and measure them for the purpose of outputs, and outcomes can be difficult to contract as they are less quantifiable.

Diverse Model

Social enterprise encompasses a wide range of models and there is no 'one size fits all' approach. As a result there may be new enterprises responding to a gap in the market. Social enterprises often make use of a variety of ownership structures and patterns of collaborative working which allow for the innovative solutions which they are able to form.

Partnership

In many cases more can be achieved by working in partnership and crossing public services areas. Social enterprises have a strong track record of working in partnership with a wide range of organisations, from PCTs, local authorities and other public sector bodies to Housing Associations and the voluntary and community sector.

Government Agenda

Operating a mixed economy

The Government is currently committed to reforming public services to improve quality standards, better meet individuals' needs and improve cost efficiency for the taxpayer. They are hoping to

achieve this by developing a plural market, with a diverse provider base including, public, private and third sector providers. The recent 2007 CSR stated that government hoped to achieve:

"a richer landscape of diverse providers... to play an important role in providing choice, increasing quality and fostering innovation"

We feel that the current government policy has shown a strong commitment to deliver this agenda in certain areas of public service delivery. Health and care specifically has received significant commitment. The Coalition would like to see similar efforts made across the government departments to ensure that this approach to open and plural markets is replicated across public service delivery.

Social enterprises have an important role to play in delivering public services. However, if they are to be able to compete on a level playing field there is still work to be done. In order to achieve a diverse and active provider base, commissioners have a role to play in stimulating the market.

The role of government and providing a voice

Is the fact that the socially excluded generally do not trust Government and prefer to use intermediaries sufficiently recognised in current plans?

The Coalition believes transforming the way that public services are delivered requires a move away from the traditional approach of government provision. Whilst in some areas, the public sector still remains the most appropriate route for service delivery, in many areas, other organisations, and particularly social enterprise will offer more effective and better value services. As has been previously mentioned social enterprise offer a particular advantage in reaching out to excluded groups which may not otherwise engage with government provided public services.

Does government need to decide if it is primarily a provider, or a facilitator of outcomes and provider of last resort?

The issue for government is not so much to decide whether its role is that of primarily a provider, facilitator, or last resort, but to assess what set of solutions and services best meet the needs in an area of provision. The Government should be moving to a place a greater emphasis on assessing the needs of service users through Joint Strategic Needs Assessment and commissioning for outcomes. It is important that a contestable market exists in all areas and that providers are able to compete on a level playing field.

Without a consistent pan-government strategy will intermediaries continue to find government an unattractive partner to work with?

Social enterprises often produce multiple outcomes that can cross particular government department's areas of interest. An intelligent approach to commissioning services would allow public bodies to realise savings across the wider budget by contributing to multiple social and environmental benefits. A pan-government strategy should work to better communicate and incentivise the opportunity to secure outcomes across the government departments.

Hill Holt Wood provides training and employment opportunities for school-children, young offenders and unemployed or otherwise disadvantaged young people. It focuses this support around its managed woodland concentrating on environmental sustainability and providing countryside services. This is an example where the ability of public bodies operating at a variety of levels, to

communicate and be led by a consistent strategy, has led to a hugely beneficial outcome for the local community. Yet this has been led by the individuals involved, it is important that the Government looks at how it can make such partnership working easier.

How will voluntary and private sector organisations be persuaded to offer the services the public sector needs?

Social enterprises, as part of the wider third sector, are unlikely to be needed to be persuaded into offering public services. Many organisations are already delivering service, or are interested in the extent it may be applicable to their business. As these organisations passion is social change there work frequently crosses with areas of public service delivery or new markets. What social enterprises do need is a greater access to market.

It is important however, to move beyond the notion of organisations delivering what the public sector needs. Often social enterprises are in unique position to assess the needs of the community, and should be enabled to work with the public sector commissioners to design a necessary response.

Measuring Performance

Are public sector organisations aware of the service levels and true end to end costs for internal and outsourced delivery options for the services they are responsible for?

Whilst some public sector commissioners are very effective at recognising the true cost of delivery, this is not always the case. Whilst there are examples of commissioners using an outcome focused approach and considering the longer term benefits of an intervention, others remain constrained, or are not yet incentivised to consider spending beyond the returns realised over the years budget. In order to achieve better outcomes, the government needs to incentive commissioners to move to a joined up, outcomes based approach to commissioning.

Operating an effective mixed economy model requires an understanding of value, a capacity to fund and manage relationships pan-government, plus expert supply chain and risk management, how will this be developed?

The Coalition recognises the benefits of capitalising on economies of scale however, this needs to be balanced against the desire to develop a diverse provider base. The pursuit of larger deals sizes and aggregation of contracts may preclude the involvement of social enterprises in bidding for contracts. In general, the size of a contract should be determined both by demand for the service and a proper assessment of the supplier base.

In order to enable commissioners to move to an outcome focused approach of service delivery, there needs to be facilitation of a greater level of reporting of the impacts of an organisations work, particularly those that meet the wider social and environmental needs. The commitment to such measures needs to be made at the commissioning stage, to influence how the wider benefits services offered are reflected and recorded in contracts. Camden council, working with the new economics foundation, put into practice such a programme and noted the benefit to the wider community strategy that such an approach achieved.

Is the failure to learn lessons from the past and the lack of predictive foresight resulting in poor forward planning and poor use of channels and intermediaries?

The Coalition believes that there is currently a lack of cross learning from those areas where the government is performing well and delivering public services by using a mixed economy model. More should be done to apply to the factors of success that have been recognised in areas in which contestable markets have been now operating over a number of years. Markets such as leisure and Housing Associations have been delivering public services for over a decade, the lessons of these models now need to be applied, to ensure their successes are replicated and limitations are protected against.

Greenwich Leisure Limited (GLL) started in 1993 when the council were facing cuts in service provision. They now manages 65 leisure centres delivering services for 12 London boroughs, and are playing a role in the delivery of the 2012 London Olympics. The company have won all the private contracts they have bid for. GLL also have much a much wider impact promoting health and well being, and providing training and employment.

How are the common aspects and shared services identified and managed for scale and efficiency balanced against potential conflicts with citizen centricity?

The desire for efficiency will not only be achieved through scale. Pressures towards larger contracts may conflict with the desire for a user centred approach, especially if organisations are excluded from the contracting process.

However it is important not to only consider the size of organisation when considering its ability to offer a citizen focused service. Many large scale social enterprises through their governance structures can reflect service user views or employee ownership. Westminster Children's society, which provides childcare service running 14 nurseries and has 150 staff, formally consults both its staff and parents through its trustee advisory committee.

Managing Change

Can government departments move away from seeing relationships with providers as one-way?

For the government to achieve its objectives in the delivery of services there needs to be a culture change in the way that commissioners and public bodies do business and how they view their relationships with providers. Better public services will be the result of stronger partnership between government and providers. Social enterprises have a lot to contribute to both the design of services, and assessment of users needs through the JSNA. Involving organisations in the design of services will help provide innovative solutions.

There is also a greater role for commissioner to play in the building the capacity of social enterprise to compete in a market place and develop a supplier base. The Department of Health, has launched a Social Enterprise Investment Fund (SEIF), to support and offer investment for social enterprises looking to provide health and care public services. The government should not just focus on opening up markets but should consider how shapes the market and supports and develops its supplier base.

Are new joined up propositions still hitting the same barriers as the old ones?

The Coalition would suggest that the aggregation of contracts remain a significant barrier to smaller and mediums sized organisations from entering into public service delivery. Frequently social enterprises which find themselves in this group are unable to deliver the full content of aggregated

contracts and find they have to participate as a sub-contractor. Often in these cases they do not then receive the true cost of the specialist part of the service that they deliver.

Is there a need to fundamentally change government?

Part of the challenge in transforming the delivery of services, is that government and public bodies are by their nature very risk adverse. If the government is committed to commissioning innovative and better value public services they need develop a more proportional attitude to risk. Currently it is perceived that public services are insulated from failure, however this is not necessarily the case as this may just mean underperformance over a sustained period of time. The aversion to risk also prevents the commissioning of innovative services. A more proportional attitude would enable more social enterprises to win a greater number of contracts.

Does government need to recruit and exchange staff with the voluntary sector to improve understanding and cooperation?

The Coalition believes it could be beneficial for civil servants, to spend time working within social enterprises so that they are able to understand the model and the benefits it offers.

What should EURIM advise the government to do:

1. Ensure that all appropriate markets of public service delivery are open to social enterprise and provide a competitive level playing field.
2. Improve the emphasis on social and environmental impacts/outcomes in the intelligent commissioning of public services, within existing frameworks such as the JSNA.
3. Ensure government re-defines value for money so that the wider benefits that social enterprise contributes are recognised.
4. Require public bodies to develop a purchasing strategy that makes the link to their wider policy objectives.
5. Issue clear guidance on the Gershon principles to ensure a particular approach to public service efficiency does not drive the trend for ever-larger public service contracts.
6. Encourage social enterprise at all levels of public service provision, and in all government departments.
7. Develop a proportional culture of risk aversion.

**Social Enterprise Coalition Policy team
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