

LOCAL GOVERNMENT AND REGENERATION COMMITTEE

PUBLIC SECTOR REFORM AND LOCAL GOVERNMENT

SUBMISSION FROM SOCIAL ENTERPRISE SCOTLAND

Social Enterprise Scotland is the voice of social enterprise. We represent the wide range of social enterprises as well as national intermediary and support networks. Working together with our members, we showcase the benefits of social enterprise and inform Scottish policy. Scotland's social enterprises are pioneering new approaches to delivering quality public services, tackling climate change and regenerating communities. Social enterprises come in all shapes and sizes: from social firms, credit unions and housing associations, to community and worker co-ops, development trusts and community interest companies. Social enterprises operate in rural and urban Scotland and across more than 30 commercial sectors.

1.0 What is social enterprise?

Social enterprises are businesses that trade for social and/or environmental purposes. They operate in all markets, selling goods and services to local authorities, central government, private businesses and individual consumers.

Social Enterprises exist to make a profit just like any private sector business. However instead of paying dividends to shareholders any profits or surpluses they make are reinvested into social and environmental purposes; for example providing employment opportunities to the long term unemployed. Without making a profit social enterprises cannot meet their social and environmental objectives; they must trade, to be sustainable.

The scope of social enterprise across Scotland is significant. They work across many sectors, in particular those areas that are of most interest to the public sector, such as childcare, regeneration, culture, employability, environmental management, healthcare, housing, social care, sport, tourism, transport, waste and recycling and welfare services.

The more-than-profit approach is used by a hugely diverse range of organisations. Below are some of common types of social enterprise.

Cooperatives and mutuals - Cooperatives and mutuals are democratically-owned businesses which give employees, customers or members a stake in the business.

Credit Unions - Credit unions are a distinct type of co-operative which provides financial services to members, often in areas of social and financial exclusion but offering financial products to everyone.

Housing Associations - Housing Associations are voluntarily-managed companies providing affordable housing for rent and for sale. They give priority to those in greatest need and reinvest any surplus income in maintaining or adding to their housing stock. Many Housing Associations also support other forms of social enterprise through 'Wider Role' community regeneration activity.

Social Firms - Social Firms are commercial businesses that provide integrated employment for people with disabilities or other disadvantages in the work place.

Development Trusts - Development trusts are community run organisations that are concerned with the economic, social, environmental and cultural needs of their community. They are owned and managed by the local community and aim to generate income through trading activity that enables them to move away from dependency on grant support.

Community Interest Companies - CIC's are limited companies created for the use of people who want to conduct a business or other activity for community benefit, and not purely for private advantage.

2.0 Why social enterprise and public services?

Social Enterprise Scotland welcomes this call for written evidence. Our organisation is member-led and we are consistently engaged with our membership in order to respond to consultations and to directly inform research. Within the context of public sector reform, we believe that a complementary and fundamental review of public services reform is timely and necessary, in light of the ambitions set out in the Christie Commission report. None of us needs reminding that because of financial constraints there is a real urgency to the reform agenda.

In terms of the 'public service ethos' social enterprises are natural partners to the public sector. The value placed on a culture of equality and fairness and a commitment to social responsibility is something we both hold in common. Social enterprises often support the most vulnerable and those with multiple and complex needs and they work on supporting and empowering individuals and communities. We believe that prevention is better than cure when it comes to the role of public services in supporting the needs of the most excluded people. Social enterprises are the best example of what we mean by 'localism', being locally run and locally accountable.

As explained above, the sector works with a variety of different models and range of delivery vehicles. This approach of diverse solutions and rejecting a one-size-fits-all approach to services is, we believe, of great value in terms of public service solutions. We believe that public services need this innovation and that services should be local and directly involve the community.

We believe in - and practice - a preventative approach, when it comes to the delivery of services and improving lives across Scotland. There needs to be a shift in culture in order to implement and measure preventative spending in councils. This also needs to include a shift in what we mean by 'public service'.

The social enterprise sector is well used to working in partnership with others in the public and private sectors and in delivering services in new and innovative ways. In order for the public sector to reform, remain sustainable and develop capacity, then working in collaboration with social enterprises is essential. We believe that the current public sector financial constraints and wider economic issues are a unique opportunity for radical reform.

3.0 Value placed on social enterprise by the public

According to Social Enterprise Scotland / Ipsos Mori research, the evidence is that the public place a high value on community benefits when it comes to the public sector procuring goods and services, the very ethos of social enterprise. Awareness of social enterprise continues to rise.

<i>1 Knowledge and awareness of social enterprises</i>				
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	Aug 2009	Feb 2010	Aug 2010	Feb 2011
	%	%	%	%
A great deal	3	4	4	6
A fair amount	17	23	24	25
Not very much	34	38	41	41

Awareness of social enterprises among people in Scotland has increased. Over seven in ten (71%) people now say they know at least something about social enterprise (compared to 65% in February 2010). There has been a slight increase in the proportion of people in Scotland who say they know at least a fair amount about social enterprises.

2 When Government and public sector organisations buy goods and services from suppliers, which should be most important in their decision?

	Aug 2010	Feb 2011
	%	%
Getting the job done at the lowest price	25	27
Ensuring that the supplier passes on some additional benefits to the local community	71	69
Don't know	4	4

NOTE: Though this figure is still high there has been a reduction from 71% to 69% which we believe is due to the impact of recession.

4.0 Strand 1 - Partnerships and Outcomes

Social Enterprise Scotland is best placed to answer Strand 1 of the call for written evidence. Please also see Appendix 1 for the new local government manifesto from Social Enterprise Scotland, of direct relevance to many of the issues raised in this consultation. The manifesto contains seven specific policies that councils could implement to improve outcomes for their communities.

Social enterprises are already delivering services on the ground across Scotland's communities and working in partnership with local authorities and the wider public sector. However, we know from the direct experience of our members that public services could be transformed if social enterprises had the right environment to deliver more and better services.

The Christie Commission Report and the report from the Scottish Parliament Finance Committee Inquiry into preventative spending examined how public services should focus more on preventing social problems arising rather than reacting to crises once they have occurred. We ask that you use these reports to promote preventative spending and local, community-based social enterprises as the foundation for all future public service delivery.

A lot of strategic policy is determined at a local level, alongside Third Sector bodies, and it is vital that there are strong connections and positive working relationships.

Strand 1 - To examine the ongoing development of community planning partnerships and the community planning process and assess how these could be built upon to support outcome-based approaches to service planning and delivery in local areas.

How could councils better integrate their partners into the process? How could the degree of commitment to the process amongst other community planning partners be improved? How can any legislative or administrative barriers that make partnership working more difficult be overcome? How can the partners further improve on the progress that has been made and overcome the remaining challenges on engaging communities and voluntary sector organisations in the process?

There is much good work and partnership good practice across Scotland's local authority areas. However, there needs to be a shift in the culture and working practices of many local authorities, to a point where innovation in service delivery and exploring new ideas and new partnerships i.e. with social enterprises is the norm. There also needs to be recognition that social enterprise is distinct from other parts of the third sector due to their enterprise orientation in delivering their social purpose. There is, in some parts of Scotland, an issue with regards to social enterprises being excluded from Third Sector Interface forums. If council officers could pro-actively ensure that their local social enterprises are included in all local forums, including Community Planning Partnerships, and actively question any lack of inclusion of social enterprise in TSIs, then this would be welcome. If social enterprises could be regularly consulted and listened to in relevant areas e.g. housing, economic development, employment creation for those with barriers to the mainstream labour market and regeneration, then this would mean better inclusion and enhanced engagement from the sector. A performance review of the CPP structures and what is and is not working would be welcomed.

How can local authorities and their partners move further towards real, integrated working? What steps would facilitate the sharing of budgets in pursuit of shared outcomes?

If councils could procure more often from - and commission public services in partnership with - social enterprises this would directly involve closer and better working relationships and benefit both sides. Social enterprises do not expect preferential treatment; rather, we are working with government at all levels within the procurement reform programme to support a level playing field for social enterprises. This area is something that is developing as the public sector seeks to embrace preventative spending and reform and we urge councils to take this agenda forward. This can be done by prioritising community benefit and Community Benefit clauses in contracts, in turn leading to the wider social impacts that social enterprise can bring - a positive reduction in the use of local public services, better outcomes for service users and much closer partnership working. CBCs could cover targeted recruitment and training (TR&T), equal opportunities, training existing workforces, supply chain initiatives and community consultation. We would urge every local authority, if not already in place, to identify a community benefit champion within their authority to ensure the council promote and implement obligations under the Sustainable Procurement Action Plan and more precisely, in preparation for the Scottish Government's introduction of a Sustainable Procurement Bill.

The function of social enterprises in designing and commissioning services through Public Social Partnerships should be rolled out. Social and environmental outcomes can be achieved alongside financial efficiency this way, where Third Sector organisations work with public sector purchasers. We call on councils to look at reforming public service design to involve end users and providers, as improved quality can be built around the needs of people and communities. We need a continuous programme of Public Social Partnerships to deliver a radical new approach to quality service design. In relation to this we must also identify solutions to the barriers presented by TUPE arrangements in relation to public sector pension fund deficits.

In addition to this is the issue of community ownership of public assets. Sustainable communities can be created through social enterprise and community-owned and run development trusts. We believe the promotion of community ownership of public sector assets through social enterprise delivery can underpin the economic and social cohesion of communities, delivering local skills and local jobs. Social enterprise plays an important role in regeneration and this should be recognised. Public asset transfer delays must be addressed and we need to restore momentum in the land reform agenda.

How can the community planning arrangements be adapted and developed to promote outcomes-based and preventative approaches?

Local strategies should be developed and implemented around preventative spend approaches reflecting local need and communities of place and interest. A commitment to taking an 'invest to save' approach should be reflected in CPP structures and strategies, in consultation with local third sector interfaces, including local social enterprises.

How is the work of delivery on SOA outcomes managed, coordinated and driven through the various community partnership structures and agreements? How could Single Outcome Agreements be improved to deliver on community planning targets?

SOAs should be developed after effective and inclusive consultation with Third Sector Interfaces, but TSIs must all include social enterprise networks and based on hard evidence of need locally.

What is the purpose of a Single Outcome Agreement in assisting the delivery of improved outcomes? How are local Single Outcome Agreements developed, and how do they relate to national priorities?

National priorities e.g. youth unemployment and the impact of welfare reform on the most vulnerable individuals and communities should be reflected in local SOAs. This should be with key performance indicators and cross-sector partnerships to improve outcomes through planned interventions. This will require flexibility and potentially the reform of budgets and budget allocations.

How could local authorities and other public bodies contribute more to influencing and improving outcomes in their area?

Adopt outcomes based commissioning and 'invest to save' approaches, thereby encouraging third sector and social enterprise communities into the debate. Testing new delivery options through social enterprises and public social partnerships could provide opportunities for service users to be at the heart of the service design process and through the evaluation process, in measuring results. In addition, increased adoption of community benefit clauses into tenders, including generic spend allocations will result in improved outcomes, impacts and efficiencies.

How can arrangements, processes and accountability be improved?

Greater transparency around how local priorities/SOAs and spend allocations are arrived at would be welcome.

5.0 How social enterprises are already adding value to public services

Examples of projects, services, innovations or improvement work.

Social enterprises across Scotland have direct experience in the operation of public services and public services can be transformed through these businesses. The added value that social enterprises deliver in providing quality public services can be significant. There is also the possibility of making savings in public finances. There are many ways in which public agencies and local authorities can work with social enterprises to achieve social and environmental benefits for the communities they serve. The impact of growing and trading with local social enterprises can bring significant gains for local economic growth and help boost jobs. There are also many opportunities that can be gained from more informal ways of working together. With a better public sector framework social enterprise can deliver even more.

Case studies of success from across Scotland

Community benefit...Commonwealth Games 2014 - The use of Community Benefit clauses for the building of the Velodrome for the Commonwealth Games in Glasgow provided an opportunity to submit a tender to operate an on-site catering facility serving 500 workers. Unity Enterprise was invited to set up the operation after a tender process exclusively involving social enterprises. While the main building contractor assisted with setting up the accommodation, Unity Enterprise had to make a considerable investment in equipment and infrastructure. To date the operation has enabled Unity Enterprise to employ 10 people, some of whom have been unemployed for some time, while the opportunity also allowed Unity to provide employment and training opportunities for some of their current service users. The agreement is to last over the next few years

until the site is completed and this experience and good track record of delivery has enabled Unity Enterprise to bid for and win other tenders for similar work.

Partnerships with the public sector...Kibble - Scotland's national specialist provider of services for high-risk and high-dependency young people. Working closely with Scottish and local government, Kibble's model of care has been designed and developed to focus on the long-term outcomes for looked-after children. Given the complexity of needs of the young people, and the requirement for high levels of appropriately-qualified staff, they actively recognise the importance of engaging with councils and other public bodies to help them plan how they use specialist provision.

SROI...Impact Arts Fab Pad Project, North Ayrshire - Impact Arts is a national community arts organisation. It has pioneered "the Fab Pad concept" across Scotland, using art as a catalyst for positive change in people's lives. Fab Pad was developed to work with vulnerable people when they took on a tenancy. The project has been funded by Communities Scotland, North Ayrshire Council and North Ayrshire Community Planning Partnership, and actively supported by Cunninghame Housing Association. The report identified reductions in repeat homelessness for participants in the project, including reduced tenancy support costs, improved health and well-being of participants and greater family stability, reduced agency support and increased training and employment. The report also demonstrated a strong business case for landlords to involve Fab Pad in supporting tenants at the start of their tenancy, to reduce tenancy turnover and anti-social behaviour, and an increased ability to meet rental obligations. The analysis estimates social added value in 2006/07 was £711,788. The results suggest that for every £1 that has been invested in the North Ayrshire Fab Pad project, a social return on investment of £8.38 has been realised.

Growth in recession...Dundee International Women' Centre (DIWC) - employed the equivalent of four and a half full time staff and had a turnover of £144,845 just over four years ago; to date they now employ nine full time and 28 part-time staff with a turnover of £463,591. This increase happened during a period of recession. A combination of vision, innovation and drive, mixed with DIWC's long standing values and need for financial sustainability resulted in the launch of two social enterprises. Rise & Shine Childcare and Wooden Spoon Catering were launched. Both businesses are heralded in Dundee and its environs as two of the most successful thriving social enterprise businesses that reflect good practice.

Case studies to demonstrate the need for reform

Tackling wrong perceptions of social enterprise - an agency could have chosen a social firm (under Article 19 of EU rules) to deliver a service, which would have had much greater long-term benefits and resulted in work for about a dozen people who were otherwise hard to employ. Instead they decided to put the contract out to commercial tender because they saw the social enterprise approach as riskier and probably more expensive in the short term.

Resistance to improving services - a council could have given a contract to a social enterprise, or even put the currently in-house service out to competition using community benefit clauses, achieving better outcomes over and above delivery of the service itself. However, inertia and a desire to protect the jobs of the current workforce, regardless of efficiency and public value, meant that the council has shelved plans to do this. This saves some jobs in the council, and safeguards the manager's position, but is not in the interests of the public, the service delivery and the wider society.

6.0 Conclusion

Social Enterprise Scotland believes that social enterprise should be firmly placed at the heart of public sector reform in Scotland, occupying a new space between the public and private sectors and with grassroots participation. Social enterprises should be a non-negotiable feature of public service design and delivery.

These social businesses should remain independent from local authorities but be given the support to achieve sustainable growth. The economic situation now provides a real opportunity for an imaginative transformation of public services. There remains considerable suspicion in the public sector about the social enterprise model, however, as engagement increases, we believe this will change.

Scotland needs to take a longer term view of public sector reform and consider what our services will look like in five, ten and even thirty years time. Will the services we get continue to be led by the suppliers or will consumers and purchasers get increased power through choice of provision/supplier?

In an age of outcomes the time for social enterprise has arrived. We very much look forward to engaging with local authorities and the wider public sector in delivering good value and high quality public services.

Finally, we need the levers to achieve real culture change for long term reform and to tackle the entrenched views of how the state should deliver public services to its citizens - putting service users and communities at the heart of it.

Appendix 1 - Social Enterprise Manifesto for Local Government

Below are the key sections from our local government election manifesto for the May 2012 elections. These key policies were formulated after direct consultation with the members of Social Enterprise Scotland.

Introduction - Councils and social enterprises in partnership

We have a vision of partnership. Local authorities hold power over many key areas of activity that affect our innovative social enterprises, other businesses and third sector organisations. Social enterprises offer positive social impact and huge economic potential and already work well with many local authorities across Scotland. Working in partnership with our councils is the aim of the social enterprise community and we fully understand our responsibilities to positively engage and promote our work. By implementing real preventative spending - procuring from and contracting with community-based social enterprises, a council can see wide-ranging social impacts, local economic growth and positive reductions in use of public services. We don't need to spend more - we need to innovate and transform. If political parties and councils adopt the policies in this manifesto they will begin to see a radical transformation in their communities - and better lives for everyone in tough times.

Policies

1 A full social enterprise strategy in every council - Each local authority to adopt a strong, comprehensive growth and support strategy that directly involves social enterprises in the process and supports preventative spending - guaranteeing a partnership approach. Good practice case study: The City of Glasgow.

2 Procurement and Community Benefit clauses - Incentivise council departments to prioritise community benefit in all contracts and radically simplify the procurement process, ensuring that everyone gains from public services - boosting the huge social impact of the sector and increasing the potential for local economic growth. Good practice case study: Unity Enterprise, catering and the 2014 Commonwealth Games.

3 Business Rates Relief and social investment - For all councils to offer and widely publicise rates relief for social enterprises and other third sector organisations - allowing them more financial freedom to boost the added value they bring to the community. To also explore new ways in which to boost local social investment. Good practice case study: The Melting Pot, Edinburgh and City of Edinburgh Council.

4 Asset transfer, buildings and land - To utilise the full, underused resources of councils for community benefit, by transferring all types of properties and land to social enterprises for free or nominal rates - and have a strategy to support easy, straightforward asset transfer. Good practice case study: Wooden Spoon Catering and Dundee City Council.

5 A central role in public service reform and preventative spending - All social enterprises to have a direct voice in council decision making, where appropriate, over preventative spend and reform, reducing bureaucracy and duplication in service delivery - as well as in regeneration, economic development and housing. Good practice case study: Social Enterprise Alliance Midlothian - partnership with and support from Communities and Wellbeing division in Midlothian Council, including regeneration.

6 A real voice in local decision making - To guarantee that social enterprises can fully participate in effective Community Planning Partnerships and other local forums. That there is full engagement with Third Sector Interfaces and that barriers to participation are pro-actively broken down by council officials. Good practice case study: Clackmannanshire Third Sector Interface is central to the local Single Outcome Agreement and Change Plans, in partnership with the Council and NHS.

7 Promoting the social enterprise model - That councils promote their local social enterprises as part of the formal communications strategy. To include the benefits of the social enterprise model in service delivery, the innovative nature of social enterprise, quality of goods and services and volunteering and work experience in social enterprises - both within the local authority and to the wider community, schools and media.

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Join us

Social Enterprise Scotland is the national campaigning voice for social enterprise in Scotland. It represents the needs and interests of social enterprise to politicians, policy makers and opinion formers through its members.

Contact us for more information and join in a few easy steps on the website.

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The Voice of Social Enterprise

www.socialenterprisescotland.org.uk

Social enterprises in Scotland working in...

- Business centres
- Catering
- Cleaning
- Childcare
- Construction services
- Consultancy
- Cultural & heritage services
- Employability training
- Environmental management
- Financial services
- Food
- Healthcare services
- Horticulture
- Housing
- Information services
- Land management
- Property maintenance
- Recruitment
- Research
- Retail
- Social care
- Sport & fitness
- Surveys
- Tourism services
- Translation services
- Transportation
- TV, film & media
- Waste & recycling services
- Web design
- Welfare services

In partnership with: **SEN**SCOT **Social Firms** Scotland