

# Creating:Communities

Public sector procurement and social  
enterprise: opportunity or threat

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# What are social enterprises?

‘Social enterprises are businesses with primarily social 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’

Social Enterprise: a strategy for Success DTI  
2001

# Characteristics

- **Enterprise Orientation** – produce goods or providing services to a market.
- **Social Aims** -e.g. job creation, or service provision, with ethical values & are accountable to members/stakeholders & the wider community.
- **Social ownership** - independent organisations whose governance and ownership structures are normally based on participation by stakeholder groups

# Why buy from a social enterprise?



## National Procurement Strategy for Local Government

*“By 2006 all councils will be:*

- Realising economic, social and environmental benefits for their communities through their procurement activities*
- Confidently operating a mixed economy of service provision, with ready access to a diverse, competitive range of suppliers providing quality services, including small firms, social enterprises, minority businesses and voluntary and community sector groups”*
- Stimulating markets and using their buying power creatively to drive innovation....”*

## Other drivers...

- *SME-Friendly Concordat* – ODPM & SBS
- *Think Smart... Think Voluntary Sector!* - Home Office & OGC
- *Smaller Supplier... better value?* – ODPM, LGA & SBS

See 'Further Resources' section in *More for your money*

# Social Enterprise in the South West

- One of the largest regions in terms of the number of social enterprises
- Pockets and clusters particularly in conurbations eg Plymouth & Bristol
- High number also located in isolated rural areas
- SW rural social enterprises tend to be smaller



# Meeting more than one objective

## Mid Devon DC & Mid Devon Community Recycling

- contract to collect and recycle household waste
- Has increased volume and type of materials that are recycled also looking starting to collect business waste
- Employment and training for disadvantaged eg Learning disabilities

# Innovate and stimulate new markets

## Community Foster Care & Social Services

- Place children in care near their own community combined with social & economic regeneration
- Works nationwide with social service departments
- Looking at franchise opportunities

# A competitive advantage in certain areas

## Lincolnshire County Council & Hill Holt Wood

- 14 hectare community-controlled woodland – turns over £450k
- Contract with Lincolnshire County Council for youth development and education
- Avoids costly relocation (average £70k) and knock-on effect on Lincoln youth crime

# Some sectors where social enterprise is already a major player...

## Housing:

- *1400+ Housing Associations*
- *1.8m houses / £45bn of assets*
- *Employ 100,000 people*
- *Turnover £6bn per year*
- *£26bn of private finance in 2 decades*

## Leisure:

- *More than 100 leisure trusts*
- *Total turnover more than £300m*
- *Employ 8500 people*
- *Over 100m customer visits per year*

...and lots of potential for more.

# Why buy from a social enterprise?

Social enterprises may offer better value for money than other suppliers by:

- meeting more than one objective with the same expenditure;
- having a competitive advantage in delivering particular goods and services; and
- delivering innovative solutions and stimulating new markets.

# Why sell to local authorities?

- Generate income – the holy grail of financial sustainability....
- Diversification of income sources
- Contracts put on a more independent basis – different footing to grants
- Being paid for what you're already delivering...
- Franchise opportunities

# What are the barriers for social enterprises?

- New, small and less experience
- Higher costs – not cheap alternative (triple bottom line)
- Lack of understanding of social enterprise model
- Lack of time and resource
- Size of contract
- Time investment and opportunity costs - capacity
- Lack of relationships and ‘dialogue mechanisms’
- Mission drift?
- Protection of intellectual property rights

# What are the barriers for local authorities?

- Lack of strategic approach internally
- Lack of capacity
- Risk adversity
- Pressure to cut costs and combine contracts
- Lack of knowledge and appropriate supporting policies
- Lack of access to the potential market

# So is it all worth it???

If yes, go in with your eyes open. Some questions.....

- Inform and work with your Board and ask the right questions
  - Develop as part of strategy
  - Cost benefit analysis and risk assessment
  - Training/recruitment implications?
  - Culture change
  - Dialogue with others
  - Develop relationships – possible collaborations
  - Check your constitution

# Do your market research

- What are your USPs?
- Who are your competitors?
- Consider future developments eg changes in technology?
- Assess size of the market
- Judge the scale you can operate at (being realistic!)
- Where will capital come from?
- Collaborations?
- Can risks be minimised?

# For more support and help:

- [www.see.co.uk](http://www.see.co.uk) – section on procurement
- Your local support agency [www.rise-sw.co.uk](http://www.rise-sw.co.uk) (if you are a social enterprise)
- [www.idea-knowledge.gov.uk](http://www.idea-knowledge.gov.uk) – suite of procurement services to support councils
- [www.rcoe.gov.uk](http://www.rcoe.gov.uk) – centres of procurement excellence (SW based with Dorset CC)

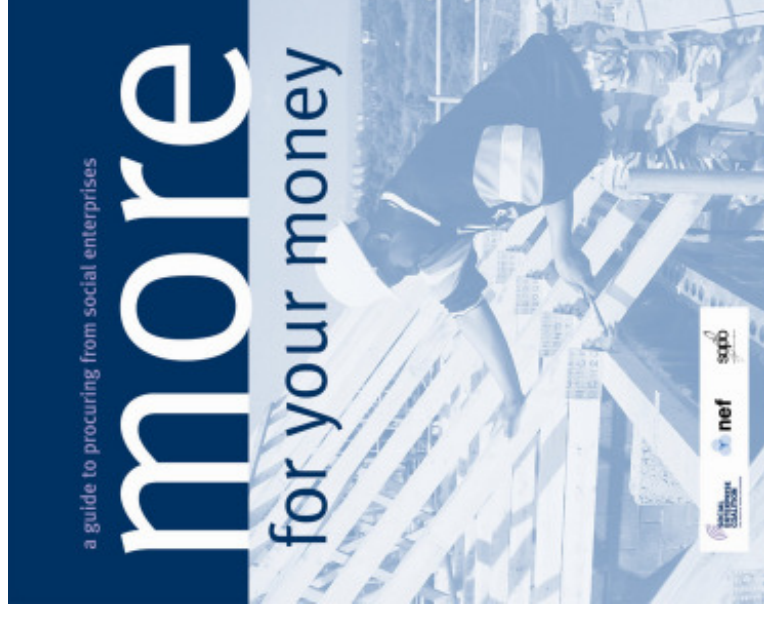
# more for your money

## social enterprise & public procurement



# **SOCIAL ENTERPRISE COALITION**

**THE VOICE OF SOCIAL ENTERPRISE**



# Other useful publications....

- Aggregation – is bigger always better?  
[www.ogc.gov.uk](http://www.ogc.gov.uk)
- National procurement strategy.  
[www.odpm.gov.uk](http://www.odpm.gov.uk)
- Public spending for public benefit.  
[www.neweconomics.org](http://www.neweconomics.org)
- Public procurement: A toolkit for Social Enterprises  
[www.sbs.gov.uk/socialenterprise](http://www.sbs.gov.uk/socialenterprise)