

How can local authorities work better with social enterprises?

1. Observations

- Until there is a mandated % spend for social value, SE cannot compete with commercial companies.
- Costly SE – social benefits exceed business deficit so there is a need for proof & direct links for mainstream support
- Under-recognition by local authorities of SEs' social impact and the potential benefits to the local economy. SEs are seen more as cost-cutting means rather than for other values, so commissioners look to us as cheapest-possible options.
- Too many firewalls between public sector departments to recognize cross-cutting value-adds of SEs.
- National government only listens to national intermediaries, so it's hard to see how structures/policies can change.
- Passion is needed for sales as well as for founding the SE.

2. References / Best Practices

- Link Group (an SE) have a locked percentage of employability diversity and they have been ranked 25th in the National Centre for Diversity's UK Top 100 Index 2019.
- Dundee Waterfront development as an example of how government and Social Enterprises can work together in a long-term project, with Community Benefit Clauses (CBCs) in-built which led to a flurry of SE activity.
- NHS as a procurement champion can inspire SE procurement access.
- Unity Enterprise contract for the Commonwealth Games (an exceptional case)
- Social housing enterprises seem to do well

3. Key Insights

- Carillion, the large construction firm, recently collapsed costing millions of pounds to the taxpayers in UK whereas small risk placed in the Social Enterprises could be a far better option. Big does not mean risk-free.
- There is a significant number of employees in SEs, plus our reach among the community is unparalleled by large organizations who take contracts. Impacts and effectiveness are amplified through us.

4. Ideas to explore

- Need to fight against the idea that SEs are cheaper to work with. This should not be the reason why authorities work with us. Instead, benefits for social responsibility are far more important.
- Need to restructure the terms of contract payments. Delayed cash flow to us makes working with local authorities extraordinarily difficult.
- Should be a mandated level of spend in SE/ Third sector. Social impact contracts mean double the work, which should be recognized structurally.
- Social franchising as a means of reaching the scale to deliver large contracts.
- Simplify the process by showing that code-compliant SEs meet multiple targets. E.g. show the diversity of employees within SEs.
- Identify and work with SE champions in government to think through procurement restructuring.

5. Key performance indicators

- To have a big picture with quantifiable social impact by using more complex metrics recognizing multiple outcomes across government divisions.
- Increased number of SEs engaged in public contracts, and these are made visible with guidance for others to be successful
- Growth of individual SEs results from engaging with public procurement.
- SE sector is able to show its overall big-picture impacts through contract delivery.
- LAs include social value targets in their metrics.

6. Warnings / Red Flags

- SEs not good enough at talking about what they do.
- Risks of litigation due to unfollowed or dropped contracts.
- Severe limits on Public Sector budgets, these are only tightening.
- The Community Benefit Clause may be doomed to fail - too late to engage?

7. Questions to dive into for research

- What are local authorities willing to do to work better with social enterprises
- Can investing in social enterprise networks develop supply chains and better reporting of social impact?
- How can social impact be more of a nuanced, structural part of the procurement process?
- How can social enterprises effectively raise awareness of social return? How can we use effective storytelling to communicate the multiple value regimes social enterprises contribute to?
- Is procurement the right system, channel or method for SEs?
- What is the overall social spend across local authorities? Is there a way to show the difference between areas where public procurement engages actively with SEs versus where it doesn't?