

Social Enterprise & Public Sector Procurement

Report for the Bedfordshire and Luton
Voluntary & Community Sector
Infrastructure Consortium

December 2005

Contents	Page
Summary	3
1: Background	8
Context	9
Aim and methods	15
2: Findings- public sector procurement in Bedfordshire and Luton	18
Local authorities	19
The NHS	25
Government agencies	27
Future procurement opportunities	29
3: Findings- social enterprise in Bedfordshire & Luton	31
Extent and scope	32
Support for social enterprise	34
Issues and obstacles in public sector procurement	37
4: Conclusions and the Way Forward	42
Main conclusions	43
Objectives and ideas for development	45
Funding	48
Recommendation	49
References and bibliography	50
Appendices:	51
1: Organisations included in the research	
2: Questionnaire on good practice guidance	
3: Sheffield Community Enterprise Development Unit (SCEDU)	

Summary

Background

1. Government policy is to modernise public services and is looking to the voluntary & community sector (VCS) and social enterprise in particular to become a more important player in this.
2. Government and other agencies are promoting the development of social enterprise- those organisations with social ownership, trading and social objectives as their hallmarks. Social enterprise can be identified with the activities of voluntary and community organisations as well as with organisations describing themselves as social enterprises.
3. Procurement is defined as the various ways in which a body secures goods and services, some competitive, some negotiated, some through different forms of 'in house' provision.
4. A more systematic and sophisticated approach to procurement is being highlighted as a way of securing both significant cost savings and best value in public services. The latter emphasises the long term and full assessment of the benefits to be had from a particular supplier.
5. A national strategy for Local Government procurement provides a framework for development at local level and this features provision for bodies to look at the wider 'community benefits' which can be secured from some organisations.
6. European law provides for different levels of competitive procurement depending on the value of the contract and the nature of the service or good being sought. A consolidated directive becomes law in the UK in January 2006 and this makes it possible, among other things, for social and environmental considerations to be taken into account in awarding contracts.
7. There are a number of good reasons why public bodies should consider procuring from social enterprises including their independence, closeness to their users, skills in niche areas, ability to draw on other forms of financial and 'in kind' support and as a way of developing a broader-based market of suppliers.
8. The local context features a number of important issues likely to have a bearing on public sector procurement in the foreseeable future, including NHS restructuring; cost pressures on public bodies; the growth in housing and associated services from the sustainable communities plan; organisational complexity in the public sector; political/ geographical tensions between different parts of the area etc.

Aim and method

9. The main aim of this Study is to lead to the expansion of market opportunities and increase the readiness of voluntary and community organisations to pursue social enterprise activity, especially via public sector procurement in the Bedfordshire and Luton area.
10. The Study has focused on a number of questions and involved 25 semi - structured interviews; telephone contact; attendance at events and desk research on local social enterprise and the wider Voluntary & Community Sector (VCS), public sector bodies, social enterprise support bodies; and associated background information.
11. The responses to some aspects of the study were disappointing. For example, there was no response to an email sent to many local VCS organisations seeking their views and contributions and it proved difficult to gain some information on the scale and nature of existing public sector contracts with the VCS and social enterprise and their use of good practice guidance.
12. However, it is thought that the research provides a good profile of the state of public sector procurement in the Bedfordshire and Luton area and, coupled with other recent research on social enterprise in the area, gives a good basis for discussing the key issues, reaching conclusions and setting out some strategic objectives and ideas for potential development.

Findings- public sector procurement in Bedfordshire & Luton

13. 4 Local Authorities, the Regional Centre of Procurement Excellence, 3 NHS Trusts and 2 Government agencies were interviewed. All are being driven by a pressure to make cost reductions/ reduce budget deficits, which is often seen as being in conflict with the wish to see more procurement from the VCS/ social enterprise.
14. Local authorities and NHS Trusts are generally at an early stage of procurement development compared with the national strategies/ good practice guidance. Local government is currently focusing on developing an internal culture, practices and procedures and not on supplier development.
15. There is, with one or two exceptions, a poor level of corporate information on current contracts among the Local Authorities and NHS bodies studied. Public information on these and future contract opportunities is generally at present very limited, though this appears to be a priority for development.
16. Most Local Authority and NHS procurement with the VCS/ social enterprise is probably in the form of 'Service Level Agreements', many succeeding previous grants made under various programmes and initiatives.

17. National information suggests that Local Authorities are making slow progress on meeting expectations in the national strategy for procurement which are of particular interest to the VCS and social enterprise.
18. This national information also suggests that recent increased awards of contracts to the VCS and social enterprises have tended to be concentrated in fields where these organisations are already concentrated; health, social and personal care, environmental services and local economic development/ regeneration.
19. A Regional Centre of Procurement Excellence for local government has begun working with all of the local authorities in the Bedfordshire and Luton area on the development of policies and practices and may in time lead to greater collaborative procurement among these bodies.
20. Local authorities and NHS bodies are already involved in a range of collaborative purchasing arrangements, in the main covering repetitive, lower value items.
21. JobCentre Plus is moving to a greater emphasis on regional management of contracts and increasing the requirements for contract management responsibilities as part of these contracts. The Learning and Skills Council is seeing reduced funding in programmes which have been most popular with the VCS. Both Government agencies are undergoing major structural change and associated job losses.
22. Short term procurement opportunities of possible interest to the VCS and social enterprise are probably limited to the sectors where participation is already concentrated; where policy reviews seem likely to lead to procurement of previously public-provided services; or those where some sort of change in provision is desired, e.g. adult day and residential care for people with a disability.
23. In the longer term a number of other opportunities may present themselves, including in relatively new areas such as those associated with the growth in housing and associated services under the 'sustainable communities' agenda. These may also include opportunities for different forms of VCS/ social enterprise participation such as through supply consortia and sub contracting (including with the private sector). There also appears to be scope for VCS organisations to work together and perhaps with public sector purchasing consortia to *purchase* goods such as stationery and office equipment etc.

Findings- Social Enterprise in Bedfordshire & Luton

24. Previous research into social enterprise in the local area found that this was relatively underdeveloped and that most activity was in small, community - based organisations operating across a variety of service areas. Though some research found little obvious potential for growth, other findings suggest that there are a number of organisations who are interested in pursuing social enterprise as a means to diversifying their income streams and growth, based on evident demand for their activities.

25. Interviews with social enterprise support bodies suggest that there has been continued provision of support to VCS and other organisations interested in developing social enterprise, and that there is likely to have been a general increase in awareness and moves towards a more 'business-like' approach to their work by some organisations. No firm evidence was provided on the extent to which this has resulted in more trading activity or new social enterprises.
26. Interviews with a selection of VCS/ social enterprise organisations confirm the main findings of the previous research. Some organisations are already involved in trading and are pursuing a 'social enterprise approach'. Others are less interested in this and see their future in terms of further grant funding, or 'at worse' securing funding through a more challenging Service Level Agreement.
27. Some VCS organisations are considering a role as an 'umbrella' to support other organisations in their moves towards social enterprise. Others would like to develop social enterprise activity but are not sure how to 'break in' to a particular area or service and how to achieve the growth or change in their organisation that is implied.
28. Support for social enterprise development remains largely as it did at the time of the previous research. Interviews suggested that some support services may be under threat (i.e. Funding advice and small grants for social enterprise development through the CVS's) and there are some new initiatives underway or planned which are of particular relevance to procurement (by JobCentre Plus through the Luton & Dunstable Partnership and by the Chamber of Commerce/ Business Link).
29. However, interviews revealed that there is a need for greater coordination and development of the support services provided. This might be achieved through the local, former 'SSEER' Steering Group as it adjusts to the ending of that project and considers its future.
30. The Study revealed a number of issues and obstacles affecting the VCS/ social enterprise involvement in public sector procurement. The interview comments made can be classified as those primarily about factors to do with how the public sector organises and practices procurement (where the public sector bodies revealed a good appreciation of the difficulties faced by the VCS), those to do with the nature (or perceived nature) of the VCS and more general, contextual factors which it is perhaps more difficult to change or influence (e.g. the drive for cost reductions and NHS restructuring).
31. National studies have identified a number of general risks potentially affecting VCS organisations taking up a role in public service provision (e.g. loss of public trust, loss of independence, mission drift) and have explored some of the key factors in successful transfer of services from the public sector to the VCS.

Conclusions & the Way Forward

32. Existing public sector procurement from the VCS in Bedfordshire and Luton is probably relatively small in scale and in the short term is likely to be focused on the sectors where it is already concentrated. Public sector bodies are currently paying little attention to the particular needs of VCS organisations in their procurement policies and processes.
33. In the longer term more significant opportunities for public sector procurement seem likely as a result of government policy on 'public service modernisation'. These may be new opportunities increasingly developed jointly between bodies participating in Local Strategic Partnerships and through Local Area Agreements.
34. Social Enterprise activity locally is underdeveloped and support tends to be generic, focused on start up enterprises and is not coordinated well enough.
35. There are a number of risks and tensions for VCS organisations playing an increasing role in public service provision which may make this route inappropriate or undesirable for some.
36. There are some fundamental questions to be asked including whether and to what extent action is needed to promote procurement of public services to the VCS, whether and how a more effective response from the VCS can be achieved and how to best support the organisations involved. There are a number of arguments for taking a proactive approach to the development of public sector procurement opportunities for the VCS/social enterprise and supporting organisations to develop and take advantage of these.
37. Three strategic objectives are proposed: improving the generic and associated support for VCS organisations in developing their income streams and sustainability; developing a new capacity and focus to foster growth and development of new public sector procurement opportunities and an effective VCS response; and the development of more effective links between the VCS and public sector procurement bodies. A number of potential ideas for development are suggested for each of these objectives.
38. Some resourcing of these ideas can be achieved by redirecting existing funding, staff time or priorities, but some new investment is needed which can be secured from a range of different sources. The RCPE and EEDA's 'Investing in Communities' programme appear to be especially relevant
39. It is recommended that early attention is given to developing the dialogue between the public sector and VCS bodies on procurement and to take forward a number of specific actions on each of the proposed objectives.

PART 1: BACKGROUND

Key Points:

- Government policy is to modernise public services and is looking to the voluntary & community sector and social enterprise in particular to become a more important player in this.
- Government and other agencies are promoting the development of social enterprise- those organisations with social ownership, trading and social objectives as their hallmarks. Social enterprise can be identified with the activities of voluntary and community organisations as well as with organisations describing themselves as social enterprises.
- Procurement is defined as the various ways in which a body secures goods and services, some competitive, some negotiated, some through different forms of 'in house' provision.
- A more systematic and sophisticated approach to procurement is being highlighted as a way of securing both significant cost savings and best value in public services. The latter emphasises the long term and full assessment of the benefits to be had from a particular supplier.
- A national strategy for Local Government procurement provides a framework for development at local level and this features provision for bodies to look at the wider 'community benefits' which can be secured from some organisations.
- European law provides for different levels of competitive procurement depending on the value of the contract and the nature of the service or good being sought. A consolidated directive becomes law in the UK in January 2006 and this makes it possible, among other things, for social and environmental considerations to be taken into account in awarding contracts.
- There are a number of good reasons why public bodies should consider procuring from social enterprises including their independence, closeness to their users, skills in niche areas, ability to draw on other forms of financial and 'in kind' support and as a way of developing a broader-based market of suppliers.
- The local context features a number of important issues likely to have a bearing on public sector procurement in the foreseeable future, including NHS restructuring, cost pressures on public bodies; the growth in housing and associated services from the sustainable communities plan; organisational complexity in the public sector; political/ geographical tensions between different parts of the area etc.
- The main aim of this Study is to lead to the expansion of market opportunities and increase the readiness of voluntary and community organisations to pursue social enterprise activity, especially via public sector procurement in the Bedfordshire and Luton area.
- The Study has focused on a number of questions and involved 25 semi structured interviews, telephone contact, attendance at events and desk research on local social enterprise and the wider Voluntary & Community Sector (VCS), public sector bodies, social enterprise support bodies and associated background information.
- The responses to some aspects of the study were disappointing. For example, there was no response to an email sent to many local VCS organisations seeking their views and contributions and it proved difficult to gain some information on the scale and nature of existing public sector contracts with the VCS and social enterprise and their use of good practice guidance.
- However, it is thought that the research provides a good profile of the state of public sector procurement in the Bedfordshire and Luton area and, coupled with other recent research on social enterprise in the area, gives a good basis for discussing the key issues, reaching conclusions and setting out some strategic objectives and ideas for potential development.

Context

1. This study takes place at an important time for the Voluntary and Community Sector (VCS) and Social Enterprise in particular. A Government committed to public service reform is embarking on a programme which is likely to see radical changes in the role of the state and its associated public bodies and in the shape and forms of public service provision, with a much more diverse market of provider organisations and much less direct provision by state-run or sponsored bodies. The VCS and Social Enterprise in particular, is seen as a potentially major player in this new landscape.

The national context- Social Enterprise

2. A part of the 'Third Sector' or the 'Social Economy', Social Enterprises are essentially bodies with social aims and objectives, are often 'owned by' as well as accountable to those running or benefiting from them and any profits or surpluses are usually re-invested in the pursuit of the organisation's social aims. Social Enterprise cannot be defined by any particular legal form- Companies Limited by Guarantee, Co-operatives (both those set up by employees and those benefiting a wider community), Community Interest Companies, Charitable Trusts etc. could all be deemed to be social enterprises.

3. 'Full Social Enterprises' adopt business-like approaches and methods to their work and are enterprising in developing the means to fulfil their aims, including diversification of their sources of income, development of assets to provide security as well as service delivery opportunities and seeking new ways of generating income or in other ways pursuing their aims. This can often include combining different streams of activity to secure several community benefits e.g. recruiting long term unemployed people and training them to provide a waste recycling service under contracts with a local authority, JobCentre Plus and the Learning and Skills Council (see ref.1 for examples).

4. But the wider Voluntary and Community Sector is also involved in social enterprise activity. Any form of contract or agreement with a purchaser of services or goods which is specific in its expectations (of performance, quality, outputs etc.) means that that VCS organisation is trading (it is selling a service to a purchaser and in turn recruiting the staff and finding the materials etc it needs to do this).

5. In general there are three defining characteristics of social enterprises:

- **'Social ownership'**- independent, neither privately owned, nor owned by public sector bodies;
- **Trading** as their primary means of income whether from individual transactions, or by contract delivery; and
- **Social objectives**-a clear purpose that directs their activities and defines how surpluses are invested.

In addition they may have a **membership** or accountability structure based on users, staff or communities or a combination of these.' (ref. 2 page 6)

6. Government has stated its support for social enterprise development (it's 'Strategy for Success' was published by the DTI in 2002- ref. 3) and there has been much published about its role in public sector procurement, including the publication of guides to procurement (both for social enterprises- ref. 4; and for public bodies- ref. 1).

7. Over recent years a number of initiatives have been taken to support the setting up and growth of social enterprises, including the Adventure Capital Fund, FutureBuilders and various other Community Development Finance Initiatives (CDFI's). Some of these are explicitly addressing the building of capacity in the VCS to undertake greater levels of public service contracting.

8. As the term social enterprise can be used both as a way of describing a particular organisation **and** as a type of activity undertaken by voluntary and community organisations who might not otherwise describe themselves as a social enterprise, the terms 'VCS' and/or 'social enterprise' will be used in this report to include all forms of social enterprise in respect of public sector procurement.

National and International context - procurement

9. The national framework for procurement is seeing a period of considerable development. 'Procurement' is simply a general term for describing how a service or good is secured by (in this context) a public sector purchaser. A more precise definition is:

'Procurement is the process of acquiring goods, works and services. The term covers acquisition from third parties and from in-house providers. Procurement spans the process from identification of needs, through to the end of a services contract or the end of the useful life of an asset. It includes decisions about the services that will be delivered to local authorities and the communities they serve. It includes the design and delivery of those services, the assessment of their quality, and the evaluations and reviews that will lead to further procurement. Procurement covers self-supply, the use of external suppliers, partnership and other hybrid arrangements.' (ref. 5 page 5)

10. The term 'commissioning' (used extensively in the personal and health care sector) tends to be used as an alternative, generic term to 'procurement'. 'Procurement' or 'commissioning' can take a number of forms:

- **Competitive processes**- whereby a number of potential providers submit proposals to meet a defined specification (usually in some form of confidential procedure)
- **Negotiated processes**- where a purchaser identifies a preferred provider and negotiates a contract to secure the goods or services required. This process may be preceded by a competitive process to identify the 'preferred provider', or it may be based on a long standing agreement between the purchaser and provider (e.g. the conversion of some grant-funded projects and initiatives into 'Service Level Agreements').

- **Grants-** some services and goods are best provided through a grant which does not have the specific expectations of performance, quality or outputs/ outcomes usually the feature of formal contracts or Service Level Agreements. Grants may be given to assist with the establishment and early development of a new organisation. This is where it is judged inappropriate to be specific on expected performance and other standards due to uncertainties over the market for the service to be provided or the precise development of the organisation or perhaps difficulties in measuring the desired outcomes.
- **In-house provision-** some public bodies (especially local authorities) choose to provide services themselves, either directly or through a wholly owned, not-for-profit organisation. The provision is regulated by an internal agreement between the public body and the provider organisation.
- **Local Authority companies-** under clause 96 of the Local Government Act 2003, authorities may set up companies to do for a commercial purpose anything which they are authorised to do for the purpose of carrying on any of their ordinary functions. Limited to authorities that are performing well under their Comprehensive Performance Assessment and subject to an order by the Secretary of State, this power can also be extended to establishing a company to help deliver the authority's 'well being' powers under part 1 of the Local Government Act 2000. An 'arms length' company can be established which could be defined as a social enterprise- either with the local authority as sole member or with provisions for other stakeholder interests to be included in arrangements for membership or directorships. (after ref. 2)

11. The national framework for public sector procurement, with special reference to the VCS/ social enterprise, has the following key features:

- Public bodies are able to determine what they wish to purchase as opposed to how, provided that the purpose is within their statutory powers, constitution and agreed policy framework, and the requirements are needed, cost effective and affordable. Bodies have considerable freedom to determine their own specifications and procurement procedures.
- Government procurement policy states that procurement should seek 'the optimum combination of whole life costs and quality (or fitness for purpose) to meet the user's requirements' – 'best value' or 'value for money'.
- A National Procurement Strategy for Local Government was published in 2003 (ref.6) and this sets out a range of measures which local authorities are expected to pursue. This includes a milestone that by 2004 authorities will have set out how corporate procurement strategies will address 'how the council concerned will encourage a diverse and competitive supply market, including small firms, social enterprises, ethnic minority businesses and voluntary and community sector suppliers.'

- The National Strategy also sets out how Councils may seek a range of additional 'Community Benefits' (any social, environmental or economic benefits which a local authority might wish to seek) through its procurement processes. By 2005 the Strategy expects Councils to include in invitations to tender or negotiate for partnership projects optional, priced proposals for 'delivery of specified community benefits that are relevant to the contract and add value to the community plan' (see ref. 6, Section 6). National guidance on good practice in local government procurement has also been issued through IDeA (ref. 18).

- Local authorities can also:

'promote social enterprises over and above other forms of provider. If a local authority decides to do this, it must set out the justification, ideally in its Community Strategy. Reasons which can be offered can include:

- The need to broaden the diversity of potential service providers in the market place;
- community benefits cannot be easily achieved without the promotion of social enterprises; and
- Council staff likely to transfer under the TUPE regulations to a new service provider would welcome the option of being employed by a social enterprise.

This approach can be taken as long as what is done gives social enterprises assistance in order to facilitate a level playing field within the public sector market, but not as part of a specific contracting exercise. If a social enterprise is better placed in relation to a contract because of its skills or experience then this should be revealed in its tender.' (ref. 2 pages 11-12)

- Local authorities cannot take into account a number of non commercial considerations in procurement such as contractor's sources of financial support, their country of origin, political affiliations etc. Since 2001, Authorities can include labour force matters (e.g. training and recruitment) in their procurement policies, so for example an authority can include a requirement for the contractor to recruit long term unemployed people so long as this contributes to best value. However it cannot specify, for example, that only certain organisations benefiting from social enterprise start up grant can tender as this is a non-commercial consideration (under section 17 of the Local Government Act 1988).
- A number of other provisions have a bearing on local authority procurement- e.g. the Race Relations Act (it has a duty to eliminate unlawful discrimination and promote equality of opportunity), State Aid (subsidies and other benefits which unfairly affect competition) and the 1998 Competition Act (contracts which might 'have the object of distorting competition').

- The Byatt Review (ref.7) highlighted the need for authorities to take a broader view of procurement, shifting the emphasis from initial purchase price to 'whole life' costs and long term objectives, so as to secure best value. The Gershon Review (the Government's efficiency review of the public sector in 2004) has resulted in additional challenges for procurement, and was followed by the 2004 Spending Review which sets local authorities a target of achieving some £6.45billion of savings over the period to 2007/08, the aim being to release funding to benefit front line services. One expected approach is to aggregate contracts at larger geographical scales through the work of the Regional Centres of Procurement Excellence set up in 2004.
- Guidance on procurement from the voluntary and community sector was published by the Office of Government Commerce and the Home Office in 2004 (ref.8) and this, together with the National Compact on Funding and Procurement (ref. 17) are the principal pieces of policy guidance for all public bodies dealing with the VCS, including NHS and other Government agencies and departments. (Appendix 2 includes a checklist of good practice, much of which is derived from these publications).

12. **European treaties** aim to ensure an open market for public sector contracts across the EU. Three directives affect procurement of works, goods and services by local authorities. A new consolidated directive comes into force in the UK in January 2006. Briefly, the position is that contracts over a certain size (2004 threshold values were £153,376 for supply of goods or services and £3.834411m for works contracts) must follow the full EU procurement procedure, including full advertising via the official EU Journal, etc. Even above these figures contracts for social services, health, recreation, education and recycling are not subject to the full procurement regime, requiring only a 'contract award notice'.

13. Most importantly, in all contracts it is possible to specify 'community benefits' which do not necessarily have a monetary value, but which help the authority achieve a policy objective, and which fulfil five tests (the benefits must be linked to the procurement; the requirements should not contravene or encourage others to contravene equal opportunities legislation; local firms must not be disadvantaged by the requirements; required outputs should be capable of comparative evaluation and measurement; any judgment about 'value for money' must be applied to the whole procurement).

14. Similarly, the new consolidated directive makes it possible to include special conditions relating to the performance of a contract, including social and environmental considerations.

Why procure from social enterprises?

15. Various reports and studies have suggested a range of factors that argue in favour of procuring goods and services from VCS/social enterprises (for example, see refs. 9, 2 and 19). They may:

- Be more likely to be driven by a specific sense of mission

- Have 'niche' skills and expertise- sometimes developed from a long track record, some recruit from service users, draw on high levels of voluntary expertise from committed individuals or develop from a group of enthusiasts.
- Have greater 'proximity' to users and the local community- may have grown out locally identified needs and issues and are often 'user led'. They may also be good at consulting and engaging citizens because they are likely to be trusted. They may also help to positively change the relationship between commissioners and stakeholders by engaging the latter in service delivery and development
- Be more able to innovate and provide services flexibly- their independence, sensitivity to communities and customer needs and high levels of expertise can mean that they are able to innovate in delivery and working methods. As staff are often stakeholders, they can negotiate flexibilities and changes to working practices which are ultimately beneficial to the organisation as well as its staff.
- Be more likely to be independent and have accountability structures which give operational independence
- Be able to be more cost effective as they draw on commitment from local communities and stakeholders and do not distribute surpluses but reinvest them
- Be able to help develop social capital- proactive participation in local community activity and networks, creating and sustaining neighbourhood connections, friendship and work relationships, building trust and tolerance of diversity
- Be able to increase the range of providers, so increasing choice for users
- Be effective at supporting the local economy- creating multiplier effects stemming from locally spent wages and sometimes multiple benefits from the ways services are provided (e.g. recruitment from special groups of unemployed people).

The local context

16. During the course of this project, a number of important local factors have been revealed, which will have a bearing on the options for future development of social enterprise and public procurement:

- Tensions (political-geographical) between areas and various public organisations
- Performance pressures- significant NHS deficits, mixed local authority performance as measured by Comprehensive Performance Assessments
- Restructuring of the NHS- proposals to reconfigure (and reduce) the number of PCT's serving the area
- Multiple partnerships at County, Unitary and lower levels, and general complexity of the organisational map in the public sector (plus the possibility of Local government reorganisation once the Lyons Review is completed)
- The 'Sustainable Communities' agenda which involves planning for a growth in new housing and community facilities affecting the majority of the local area and bringing with it a new organisational and partnership infrastructure
- ChangeUp- investing in the infrastructure of the VCS in order to boost its ability to support VCS organisations more effectively, including support for enterprising activity.

Aim and Methods

17. After the award of the contract for this project the author met with the Project Steering Group to develop and confirm the aims and methodology for the study. This Steering Group comprised:

- Laurie Hurn- Business Development Manager, Bedfordshire Rural Communities Charity (main contact)
- Sarah Hughes- Principal Economic Development Officer, Bedfordshire County Council.
- Anne Laing- Director of Voluntary Action Luton
- Julie Stokes- Development Officer for the regional ChangeUp programme

18. The project aim is to create the conditions which lead to:

expansion of market opportunities and increase the readiness of voluntary and community organisations to pursue social enterprise activity, especially via public sector procurement in the Bedfordshire and Luton area.

19. The overall approach sought to:

- Increase knowledge of current and potential social enterprise activity
- Identify public sector organisations, key contacts, current and future procurement opportunities
- Assess how far these organisations are 'VCS friendly' in respect of procurement
- Increase understanding of social enterprise, its potential and support needs
- Provide a clear basis for future development of VCS social enterprise and public sector bodies- and with organisations 'primed for action'

20. It was agreed with the Project Steering Group that relatively recent research into Social Enterprise and its support in the area would be used and not repeated, but that some additional research would be carried out primarily to check whether the findings from this research had significantly changed.

21. Semi-structured interviews, desk research, and attendance at relevant events/ meetings were the main methods used in the project. Opportunities were taken to promote the potential of the VCS/ social enterprise during interview and other contacts. The study has aimed to answer the following specific questions with regard to Bedfordshire and Luton:

- *What is the current state of public sector procurement policies, practices and plans with special reference to the VCS?*
- *What is the current extent and nature of public sector procurement from the VCS/ social enterprise?*
- *What are the main issues and obstacles to VCS/ social enterprise success in public sector procurement and to what extent are VCS/social enterprise organisations interested in increasing their participation in public sector procurement?*

- *What support already exists for the development of social enterprise and what support do VCS/social enterprise organisations need to improve their chances of public sector procurement?*
- *What are the current and future opportunities for VCS/social enterprise involvement in public procurement likely to be?*
- *What could be done to help to expand the role of the VCS/ social enterprises in provision of public services?*

22. Twenty five face to face interviews of around 1-1^{1/2} hours were held with senior corporate and operational staff involved in public sector procurement, managers of VCS/Social Enterprise support bodies and VCS/ Social Enterprises. These people were identified after initial email/ telephone approaches to contacts recommended by members of the Project Steering Group and others. The organisations were selected so as to give a sample of those procuring goods and services, those involved with supporting social enterprise and some Voluntary and Community organisations already involved or interested in procurement. A number of other organisations were contacted (on several occasions) to invite them to participate in the study, but these did not result in positive responses. Appendix One lists details of those contacted. A summary of this, together with the topics covered in the interviews is given in Table 1.

23. In addition to the interviews further information and material such as Procurement Strategies, Plans and Policies was sought, though comparatively little additional information was supplied. A 'questionnaire' was circulated to the public sector bodies for their completion (See Appendix 2). This sought basic information on the extent of contracting with the VCS/ Social Enterprise, awareness and use of major publications on the topic of public sector procurement and social enterprise and a checklist of good practice in procurement and the VCS/ Social enterprise compiled from a number of these publications.

24. This proved disappointing as a source of detailed information (reflecting the overall finding that the bodies either are at an early stage in developing their approach to procurement or that this is governed by national policies and procedures which the local contacts interviewed have little influence over), but it did prove to be useful in promoting and prompting awareness of the VCS/ Social Enterprise and good procurement practice, as did the interviews themselves.

25. A range of other national and local publications, studies and information has also been studied in connection with the project. These are mentioned as appropriate throughout this report and in a list of references/bibliography at the end.

26. Whilst it has been disappointing that not all the organisations approached responded to the request to be involved in the study, it has been possible to involve a good number of organisations together with a reasonable amount of supporting information at local, regional and national levels. It is thought, therefore, that the findings and subsequent conclusions and recommendations are based on a satisfactory body of information on public sector procurement and social enterprise in Bedfordshire and Luton.

The author acknowledges and thanks those involved in interviews, on the Project Steering Group and in other ways for their time and contributions.

Table 1: Summary of Interviews

Public Sector Organisations- 4 Local Authorities, 3 NHS Trusts plus telephone contact with a local joint Purchasing Consortium, and 2 Government agencies- JobCentre Plus and Learning & Skills Council. In addition an interview was held with the Assistant Director of the Regional Centre of Procurement Excellence. Topics covered in the interviews included an overview of the organisation's current approach and stage of development in procurement; likely future developments in these; the extent of procurement from the VCS/ SE sector now and future opportunities for this; perceived major obstacles and issues for VCS/ SE involvement in procurement.

VCS/ Social Enterprise Support Organisations – 7 organisations including Councils of Voluntary Service, the Chamber of Commerce/ Business Link, a Local Authority Community Enterprise Officer and a local Partnership leading a new project to support VCS organisations working with the unemployed. Topics covered in the interviews included interviewee's overall assessment of social enterprise activity in their area of operation; the support they offer to the VCS/ SE now and potentially in the future; their judgement of the main issues and obstacles to VCS/ SE involvement in public sector procurement; and ideas/ opportunities for future involvement.

VCS/ Social Enterprise organisations

Directors/ senior managers in 5 organisations were interviewed. Voluntary Action Luton and Bedfordshire Rural Communities Charity circulated a standard email to a large number of VCS organisations requesting information and comments from them on some key questions and an invitation to be more involved in the study. No direct responses to this were received.

Instead, a number of VCS/ social enterprise organisations judged to be already involved or likely to be interested in public sector procurement were identified from interviews carried out with VCS/ SE support bodies and others and a sample of these was approached for more in depth interview. This sample was selected to cover a range of different types of service, but positive responses have tended to focus the interviews on those organisations mainly involved in social/ healthcare services- of the five interviewed three are involved in care/ health services with the other two being a Housing Association and Community Development Trust.

Topics covered in interviews included the extent to which the organisation was already involved in public sector procurement and experiences of the processes involved; the main issues and obstacles for the organisation in becoming more involved in public sector procurement; the longer term plans for development of the organisation; ideas or opportunities for future public sector provision through the organisation; and what, if any support would be needed to fulfil the organisation's potential in public sector procurement.

PART 2: FINDINGS-

Public Sector Procurement in Bedfordshire & Luton

Key Points:

- 4 Local Authorities, the Regional Centre of Procurement Excellence, 3 NHS Trusts and 2 Government agencies were interviewed. All are being driven by a pressure to make cost reductions/ reduce deficits, which is often seen as in conflict with the wish to see more procurement from the VCS/ social enterprise.
- Local authorities and NHS Trusts are generally at an early stage of procurement development compared with national strategies/ good practice guidance. Local government is currently focusing on developing an internal culture, practices and procedures and not on supplier development.
- There is, with one or two exceptions, a poor level of corporate information on current contracts among the Local Authorities and NHS bodies studied. Public information on these and future contract opportunities is generally at present very limited, though this appears to be a priority for development.
- Most Local Authority and NHS procurement with the VCS/ social enterprise is probably in the form of 'Service Level Agreements', many succeeding previous grants made under various programmes and initiatives.
- National information suggests that Local Authorities are making slow progress on meeting expectations in the national strategy for procurement which are of particular interest to the VCS and social enterprise.
- This national information also suggests that recent increased awards of contracts to the VCS and social enterprises have tended to be concentrated in fields where these organisations are already concentrated; health, social and personal care, environmental services and local economic development/ regeneration.
- A Regional Centre of Procurement Excellence for local government has begun working with all of the local authorities in the Bedfordshire and Luton area on the development of policies and practices and may in time provide for greater collaborative procurement among these bodies.
- Local authorities and NHS bodies are already involved in a range of collaborative purchasing arrangements, in the main covering repetitive, lower value items.
- JobCentre Plus is moving to a greater emphasis on regional management of contracts and increasing the requirements for contract management as part of these contracts. The Learning and Skills Council is seeing reduced funding in programmes which have been most popular with the VCS. Both Government agencies are undergoing major structural change and associated job losses.
- Short term procurement opportunities of possible interest to the VCS and social enterprise are probably limited to the sectors where participation is already concentrated; where policy reviews seem likely to lead to procurement of previously public-provided services; or those where some sort of change in provision is desired, e.g. adult day and residential care for people with a disability.

Local Authorities

27. Four local authorities were included in the study; Bedfordshire County Council; Luton Borough Council; South Bedfordshire District Council; Mid Bedfordshire District Council. The following paragraphs set out information on their state of development in procurement (especially with regard to the VCS) and plans for this as well as current procurement from the VCS.

28. **Bedfordshire CC** has been developing its corporate approach to procurement for some time, and most recently a draft strategy has been produced and some development of its information and procedures has taken place. Its draft strategy (published in August this year) sets out a clear summary of current arrangements and goes on to propose a number of principles and priorities for action. The Council spends around £370m per annum on a variety of goods and services. The bulk of this (£21m) is spent on highways with other significant areas being residential care (£9m) and School Meals (£6m). No information on the extent to which this procurement is with voluntary and community organisations is currently readily available.

29. In its principles the draft Strategy states: 'Partnering and collaboration: Long term partnerships with service providers in the private, public and voluntary sectors will be nurtured. Partnerships will focus on outcomes rather than inputs, and on shared values of openness, honesty and continuous improvement.' (ref. 16 page 4). The Action Plan and Work Programme for the current year associated with this Strategy covers wide range of activities, and includes 'medium priority' targets to:

- 'Collaborate with the local community, voluntary organisations and small and medium size enterprises
- Build employment, sustainability, diversity, equality, choice and community benefits into Procurement Strategy and processes.' ('Procurement Work Programme 2005-06 page 2)

30. The Council is behind schedule on some of the milestones in the national procurement strategy. It is soon to publish on its website a schedule of current contracts, which should improve public information on forthcoming contract opportunities and will complement the Guide for Suppliers which was added to the website earlier this year. It is clear that a high priority is being given to assembling a more comprehensive corporate database of contracts. The Council's in house procurement function has had two staff in recent years, but there has been the recent appointment of a new Assistant Finance Director with overall responsibility for procurement and it is hoped that the corporate procurement function can be strengthened in the coming year.

31. The Council participates in a consortium of local authorities (the 'Central Buying Consortium') which collaborates on a wide range of goods and services for its 17 member authorities. It also assists with the development of good practice. In addition, the Council is participating in meetings with other Bedfordshire and Luton local authorities facilitated by the Regional Centre of Procurement Excellence. This is leading, for example, to the development of an 'e-market place' for routine consumable items.

32. In terms of 'VCS friendly' policies and procedures, though the Council does appear to recognise the special needs and potential contribution of the VCS, it is still at a relatively early stage in its overall approach to corporate procurement and there is much to be done on several fronts in order to bring it into line with the national strategy and, by implication, what that says about working with the VCS.

33. At a more detailed, operational level, responsibility for procurement rests with service departments in the County Council. Additional interviews were held and information was gathered from Economic Development/ Regeneration and Social Services. In both cases there are agreements/ contracts with a variety of VCS organisations, and in most cases these are of relatively long standing, being based on earlier grant funded projects or initiatives (e.g. Single Regeneration Budget).

34. In these instances there has been relatively little use of competitive tendering and contracts have been developed which are the result of negotiation, usually on an annual basis (and in the case of Economic Development following publication of a 'Prospectus' setting out what is required from these contracts). There seems to be recognition among those interviewed of the need to move some of these agreements onto a longer term basis. Interviewees feel that the performance requirements and outputs mentioned in these contracts / Service Level Agreements are likely to be increasingly specific and challenging.

35. A new post of 'Partnerships and Performance Manager' within Social Services is taking responsibility for developing relationships with the VCS, including development of a VCS Forum and use of 'in kind' support as well as grant aid. This is likely to result in an increasingly challenging grants regime for the wide range of organisations funded by the County Council, and will attempt to bring some rationale to the historic, and sometimes rather inconsistent grant funding of different activities across the County within the policy of seeking 'best value'.

36. Another important development in Social Service procurement is the move towards full joint commissioning with the NHS in fields such as Children's Services (which will include some educational services in a joint Children's Trust), Adult mental health and Learning Disability Services. Up to now developments have been limited to the aligning of purchasing plans, but there is the likelihood of much more formal joint commissioning in the coming year, as 'lead commissioners' take responsibility for pooled budgets. Social Services are likely to be leading on Learning Disability and the NHS on Mental Health. This will mean that organisations used to NHS contracts in Learning Disability Services will be expected to convert to the Social Services format and *vice versa* in mental health.

37. Current procurement from the VCS in learning disability services falls into three service areas; residential care; supported living; day opportunities. Current contracts with the VCS are a mixture of local organisations (e.g. Aldwyck Housing Association) and national providers such as Mencap and MacIntyre Homes. It is expected that the move to Joint Commissioning will help the shift in some provision into new styles, emphasising much more individual client choice and the tailoring of care and other support to the individual's needs which is behind the notion of 'supported living'. This change in provision may be accompanied by deregistration of unsuitable provision,

support for those providers wishing to transform their services in line with new specifications and opportunities for new providers. Future opportunities in this field are covered later in this report (see para. 72 and following).

38. **Luton BC** appears to have adjusted some of its **procurement** procedures to recognise the special circumstances of the VCS (e.g. waiving the requirement for a 'performance bond' for charities and simplification of its tender documentation).

39. The Council participates in the Central Buying Consortium for routine/ consumable goods and is also involved in the local meetings with other councils under the auspices of the Regional Centre of Procurement Excellence. The Council's Procurement manager has participated in training sessions for VCS organisations on procurement from the Council and there are links with the Council's Community Enterprise Officer in relation to the development of opportunities for Community Development Trusts and others in the Council's contracts. The latter officer is also actively promoting Community Enterprise within the Council's Service departments, as well as supporting the development of the Community enterprises themselves (more information on this is included in the section on support for social enterprise). It appears that there is no coherent or published Purchasing Plan and no additional information has been provided on the Council's strategy and plans for procurement.

40. Recent developments have included the secondment of five social service commissioning staff to the corporate procurement department in an effort to develop a more coherent approach to procurement in this and other fields of service.

41. As with the County Council much of the social services contract activity with the VCS is based on historic relationships stemming from grant-funding. The overall approach here, as with the Council more generally, appears to be one of purchasing services for the VCS which complement those provided by the Council itself. Again, a more regulated environment for grant and Service Level Agreements appears to be developing, though this seems likely, by and large, to be continuing on a negotiated rather than an open tender basis. Luton BC spends around £1m per annum on Service Level Agreements with the VCS, mainly in the field of adult care with some on older people's services and children's services. It is expected that a new Review Process will challenge the long standing agreements and seek to ensure best value.

42. **South Bedfordshire DC** appointed a Procurement Manager around a year ago and he is now working on transforming the Council's corporate policies, plans and procedures. A key concern is to alter basic practice and procedures (e.g. introducing more transparent, rigorous and competitive procedures for basic contracts). The priority in procurement is to change the culture of the organisation and internal training is underway to effect this. As a result little if any attention is currently being given to supplier relationships and development including with the VCS.

43. The Council is also planning to publicise its contracts register and to make it easier for providers to do business with the Council, by publishing a guide. It is clear that the Council is just beginning to adjust its policies and practices in line with the national strategy but that it is some way from fulfilling the milestones in that. Apart from its grant funding of the VCS and a contract with the externalised Leisure Services function which

was transferred to a specially created charitable trust, some time ago, the Council does not appear to have any major areas of procurement from the VCS.

44. **Mid Bedfordshire DC** is also at a very early stage in considering its approach to procurement. There is no clear corporate responsibility for the function, the majority of procurement being handled by service departments with input from the Council's legal department. A recent report to the Councils Senior Management Team highlights the need to clarify and resource the development of a corporate approach and options are under consideration. A new finance system is expected to improve information on the range and nature of contracts and the Council is participating in the 'IDeA' e-procurement website along with South Bedfordshire DC- this acts as a market place for local authority contracts. It is also participating in local meetings with other Councils facilitated by the Regional Centre of Procurement Excellence.

45. The Council is facing some severe financial pressures (it is a Council Tax- capped authority) and has already externalised major areas of service provision such as housing, waste collection and leisure services (the latter to a not for profit company). It does retain a grants scheme for VCS bodies but in the light of its financial difficulties this is likely to come under review. The Council does not appear to be currently resourced or organised to take forward the major elements of the National strategy.

National Research

46. A national evaluation of progress towards the Local Government Procurement Strategy has recently been published (ref.5). Some of its overall conclusions (which record the position towards the end of 2004) are:

'This baseline report paints a mixed picture. On many issues there has been clear progress since 2000 and the evidence collected in the research undertaken for the Byatt report. Many of the procurement good practice recommendations suggested by Byatt (procurement strategies, consultation with service users and other stakeholders, the use of e-procurement methods, and the development of corporate procurement units) have been adopted to some degree by most local authorities. Nearly two thirds of the local authorities responding to the survey meet both the 2004 and 2005 milestones set by the National Procurement Strategy. The immediate impact of these changes in local authority procurement practice is that local authorities are developing a 'mixed economy' of supply that includes: self-supply; other local authorities and public sector suppliers; the private sector; and the voluntary and community sector. Local authorities are not adopting a simplistic 'one-size' approach in contracting: the balance between the different sectors varies across the different services and activities that local authorities require, reflecting both supply and demand factors.' (ref 5 page 81)

47. Of particular interest are the findings in respect of the relationship with the VCS as measured by the agreement of a relevant 'compact' on procurement and changes in procurement over the last few years. The National Evaluation found that less than a third of Authorities had achieved the following national 2004 milestones:

- Concordat for SME's and voluntary sector compact concluded (*but information on this appears to be confused due to the different types of Compact in existence*)
- Invitation to bidders to demonstrate effective use of supply chain
- Give bidders option to specify benefits under community plan

48. The findings on the compact are confusing in that, even though the survey asked about a 'procurement compact', it is thought that some authorities responded positively on the basis of the existing, more generic Compact in place in their area (which in two-tier local government areas is generally a county-level document). This suggests that even fewer authorities had in place a procurement-specific compact with the VCS. The actual results are shown in the following table. This indicates, perhaps even more worryingly, that nearly a third of Authorities reported that no action to prepare a procurement compact was underway (though just over a quarter report that they expected one to be in place by the end of 2005).

Table 39 Has the Council entered into a procurement compact with the local voluntary and community sectors? If it is in preparation, please indicate when you anticipate it will be approved?

	All	District	County	All-purpose
Yes – already approved	18%	11%	50%	18%
In preparation – anticipated by end 2004	8%	3%	6%	16%
In preparation – anticipated by end 2005	26%	19%	25%	36%
In preparation – anticipated by end 2006	7%	9%	13%	3%
Not being prepared	32%	49%	6%	18%
N = 157				

Source: ref 5

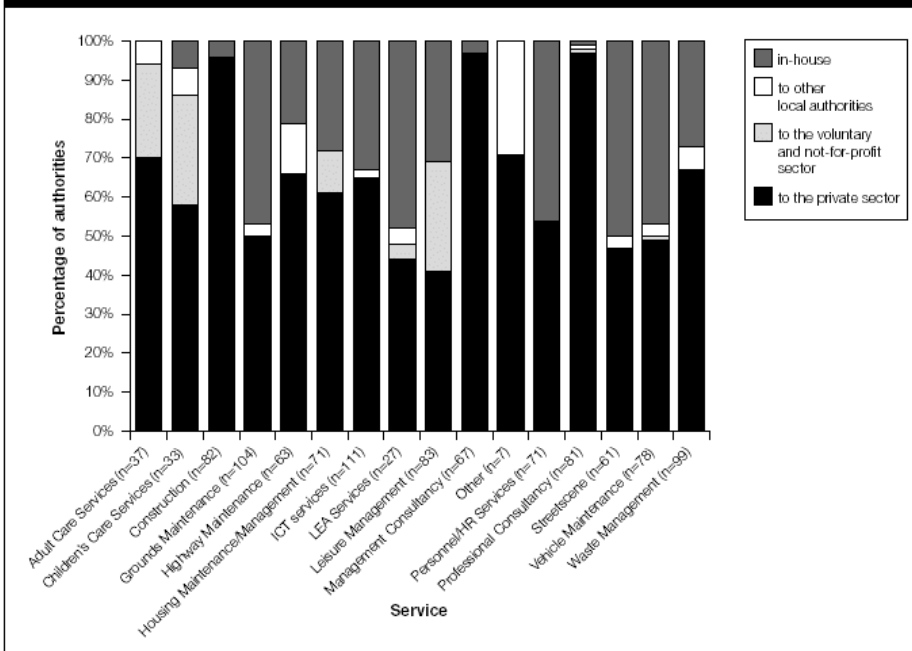
Question 52

49. Given the importance placed by Government on diversifying the supply market for public services, the study also asked about changes in Authorities' contracting over the period 2000-2004. The report comments:

'The not-for-profit sector is winning more contracts in care services, leisure management and housing maintenance/management.' (ref 5 page 65).

50. The following diagram shows the overall results. Closer inspection reveals that around 20%-25% of Authorities are reporting awarding more contracts to the not for profit sector in some markets, whereas the proportions reporting increased contracting with the private sector and 'in house' are generally considerably greater and more widespread. This can be interpreted as reflecting the historic involvement of the VCS in the care and health sectors and perhaps more recently in housing (via Large Scale Voluntary Transfers of Council Housing to housing associations) and Leisure (where a significant externalisation of services to Leisure Trusts has been evident in recent years). In short, on recent evidence, the VCS is largely remaining a service provider in the areas it has been involved with in recent years and is not, on the face of it, becoming a more significant provider in other sectors.

Figure 16 Letting more contracts to...



Source: ref 5

Question 27 (N is variable)

51. The overall progress towards the National Strategy milestones was not a focus for the current, local study. However, gauging progress towards some key milestones of particular relevance to the VCS was attempted. However, responses have, by and large been poor or incomplete. The overall impression gained is that most Bedfordshire and Luton Authorities have not yet reached or were behind schedule in reaching the following 2004 and 2005 milestones, which are of particular relevance to the VCS:

2004

Partnering and Collaboration

- Approach to partnering in construction and service collaboration delivery set out
- Approach to collaboration and new trading powers set out
- Appraisal of service delivery models included in Best Value reviews

Stimulating markets and achieving community benefits

- Publish a Selling to the Council guide (website)
- Ensure corporate procurement strategy is addressing sustainability and equality issues, helps to achieve the community plan and involves the voluntary sector
- Conclude a compact with the local voluntary and community sectors

2005

Stimulating markets and achieving community benefits

- Relationship of procurement to Community Plan addressed
- Workforce diversity, equality and sustainability issues addressed
- Diverse and competitive supply market encouraged
- Sustainability built into procurement strategy, processes and contracts
- Concordat for SME's and voluntary sector compact concluded
- Information Memorandum to prospective bidders included in processes
- Invitation to bidders to demonstrate effective use of supply chain
- Give bidders option to specify benefits under community plan

The Regional Centre of Procurement Excellence

(RCPE- see: www.eastspace.net/eecpe/)

52. The RCPE has been operating since 2004 to help local authorities in the region deliver significantly better quality public services, achieve efficiency savings and obtain better value for money. The Assistant Director of the East of England Centre (based in Norwich), has been working with authorities in Bedfordshire and Luton to secure a 2 year 'Road Map' which sets out a collective approach to achieving the national strategy by sharing expertise and information. The plan is currently in its early stages of development.

53. The RCPE has said that it will provide funding towards identified and agreed projects through these Plans which can be seen as helping to achieve efficiency savings and the National Procurement strategy. An initial round of funding was announced in the summer of 2005, but this did not include any projects specific to Bedfordshire or Luton. The Assistant Director of RCPE has reported that joint working between authorities is getting underway, for example South Bedfordshire DC and Luton BC are sharing documentation and other information on policies and approaches.

54. The RCPE expects future procurement from authorities to be at different geographical scales, with some benefiting from national and regional consortia or contracts and some being at a sub regional and local level. The RCPE recognises that the pattern of procurement will have potentially significant implications for each Authority (for example possibly affecting its currently in - house services) and the assessment of these will take some years to achieve.

55. The Assistant Director of the RCPE has recognised that, notwithstanding the tensions that authorities face between agendas stressing efficiency savings and the need to diversify and support local suppliers (including the VCS), that authorities in the region and the RCPE itself need to make greater efforts to 'engage with the VCS' in meaningful and practical ways. The RCPE has a funding programme which could help to support initiatives in this respect, but proposals must fit with the region's priorities as well as demonstrate a clear link to expected efficiency savings and /or similar benefits to authorities.

National Health Service

56. **Two Primary Care Trusts** were involved in the research (Bedford and Luton) and in both it is clear that whilst there are examples of procurement (or 'commissioning') from VCS organisations, most if not all of these have been the result of historic, grant- funded relationships. Some of these lead on from initiatives and projects set up under time limited government initiatives such as the Health Action Zone in Luton, lottery funding and the mainstreaming of projects originally funded through joint finance or other special budgets. Several of these services are jointly funded with others organisations (e.g. Anchor 'Staying Put' in Bedford by the Borough Council and Social Services as well as Bedford PCT)

57. The main health service sectors in which the VCS operates are mental health and (increasingly on a joint commissioning basis) learning disability and children's services.

There is some evidence of some services being commissioned to meet the specific needs of particular ethnic or cultural groups. There is, therefore little use of competitive tendering approaches to procurement, the process is more one of negotiation of Service Level Agreements with differing levels of specificity in terms of outputs, service levels, quality standards etc. Whilst some formal reviews of these SLA's have taken place, others are prompted by changes to the nature of the service, perhaps reflecting changes in referrals; e.g. the shift in day care for elderly people towards support for older people with mental health issues.

58. There appears to be an awareness of the special needs of VCS organisations in PCT contracting processes but as yet, where more formal tendering is being operated, little on the ground action to simplify documentation, information requirements or procedures.

59. As noted already, Joint Commissioning of some services with Social Services is moving forwards and will result in the NHS taking lead responsibility for mental health commissioning, utilising a pooled budget between the agencies.

60. The reorganisation of the PCT structure and their role, which is to be focused on commissioning rather than provision of health care seem likely to raise further issues for their approach to procurement. For example, who will be providing community and other health services currently managed by the PCT's? It may be that General Practices will wish to take on this role in some fields of service and in other instances groups of staff may wish to set up their own organisations that will contract with the PCT's. Similarly private sector or Hospital trusts may wish to develop a role in these fields. As yet there has been little Government guidance on the shape of future NHS provision in these areas, where it is not part of the existing provider trusts.

61. The local PCT's are working in partnership with other NHS organisations to source some goods and services, primarily through the Bedford Hospital Trust (in the case of Bedford PCT) or the 'Bedfordshire Shared Services' organisation (hosted by the Bedfordshire and Luton Mental Health and Social Care Partnership Trust and covering that organisation, Luton PCT and Bedfordshire Heartlands PCT). This body has developed a Procurement Strategy which covers the procurement of goods and services (apart from Healthcare) to the value of £17.6m per annum. As with Bedford Hospital NHS Trust this consortium has very little if any contracts with the VCS at present and its strategy makes no mention of the sector. Key objectives are the rationalisation of suppliers as a means of improving value for money, the development of effective management and control systems and procedures and to ensure best practices are used.

62. **Bedford Hospital NHS Trust** is managing its procurement within clear Government expectations on cost efficiency savings and using increasingly 'joined up' procurement as a way of achieving this. It is participating in a joint Bedfordshire- Hertfordshire Supply consortium which is itself starting to link up with the Bedfordshire Shared Services organisation. The majority of its contracts are for ancillary services and goods such as cleaning, car parking, advertising, various items of medical equipment, communications equipment, administrative/ office supplies laundry/linen, pest control etc. VCS

involvement in these fields is minimal with perhaps the Red Cross involvement in community equipment being the only obvious example.

63. National contracting across the NHS for certain items is expected to become more important in the future (several are under investigation, e.g. for Administrative and Clerical Agency staff and stationery items). As in local government it seems likely that a range of procurement at a set of differing scales is likely with an increasing level of activity being channelled through a series of 'regional procurement hubs'- these seem similar to the Regional Centres in Procurement Excellence' established for local government procurement.

64. For procurement of local goods and services there is a recognition that better publishing of contract opportunities and sharing of information via a forward contracts renewal programme and over more routine opportunities (e.g. including linkages to local authorities and the VCS itself as purchasers) may be beneficial in the future.

Government Agencies

65. Two Government agencies were included in the study; JobCentre Plus and the Learning and Skills Council, as these involve contracting for services in which the VCS has, to date, played an important part.

66. **JobCentre Plus** is responsible for the New Deal programme which provides a number of different supported routes for the unemployed to get into employment. In the past a wide range of providers has been contracted to provide a mixture of routes into employment, including volunteering. Local contracting (now handled jointly for Bedfordshire, Luton and Hertfordshire) is still available but the contracting process is increasingly managed at a regional level, with limited local discretion and influence over this and other small sums of funding. An example of a local contract is that recently agreed with the Luton and Dunstable Partnership for support to build the capacity of VCS organisations working with the unemployed .

67. The new contracting framework at regional level applies to all contracts with a value over £10,000 and seeks providers in one or more key locations across the County (Luton and Bedford) and expects a 'Prime Contractor' to bring together a range of suitable partners to deliver the programmes in these where this cannot be done by one provider, or it makes sense for several providers to come together into a consortium. The procurement of the new contracts under this approach is underway with submission of first stage questionnaire by interested organisation in November 2005, with the new contracts expected to run from April 2006. An extensive publicity programme has accompanied this new round of procurement including website, national newspapers and contacting suppliers already known to JobCentre Plus.

68. The 'Prime Contractor' is expected to provide some of the service and to play a role in managing and monitoring the other organisations involved in the contract. This is expected to reduce the amount of contract management that JobCentre Plus does itself, the focus shifting to the achievement of agreed targets and outcomes. This approach is also expected to result in fewer, larger contracts so enabling further efficiencies on the part of JobCentre Plus. A further funding route is via the JobCentre Plus cofinancing of

European Social Fund money, though again this is increasingly handled at regional level.

69. The procurement regime is largely nationally designed and delivered at a regional level, and VCS influence appears to have been focused at national level. The JobCentre Plus is also going through a period of major upheaval with a major shift in the ways it delivers its advice and administration of Job Seekers Allowance and resulting significant job losses.

70. **The Learning and Skills Council** has a local division serving Bedfordshire and Luton. This organisation is responsible for funding adult and further education in the area. There are four funding routes:

1. **Mainstream procurement** – this tends to be dominated by existing further education colleges and sixth forms. It is governed by national policies and procedures and there is little room for manoeuvre on the part of the local LSC. Increasingly tight budgets mean it is even harder for new providers to break into this market, though there is a wish by the Government to broaden the range of providers especially in regard to community-based educational options and options such as sub contracting with colleges and other well-established providers to diversify the range of learning options is a possible area for VCS development.

2. **Local Initiative and Development Fund**- this shrinking budget has been used to fund a range of initiatives to research and develop new approaches to adult and further education, including a consortium of local CVS's to provide capacity building training for VCS organisations (in its final year of three and valued at about £500,000). The local LSC takes a commissioning approach in this field, asking local organisations to develop ideas and responding to approaches by these to provide projects which are aimed at widening participation in learning and other important national priorities.

3. **Co - financing**- as with the JobCentre Plus, there is the possibility of ESF and secured match funding to support local initiatives. The VCS has been involved in these in fields such as working with people with disabilities, basic skills development and development of 'learning champions'.

4. **Neighbourhood Learning in Deprived Communities**- this fund (worth around £180,000 per annum, is administered by the local Learning Partnership, who issue a prospectus which fits national priorities but reflects local needs to develop innovative approaches to learning in deprived communities. These tend to be small local projects of about £5,000- £10,000 each. The Learning Partnership considers long term sustainability and support to the projects to ensure their continuation where relevant and possible.

71. As with JobCentre Plus, procurement policies and procedures are almost entirely designed at national level and major contact with the VCS on these occurs at this level. For example, the LSC nationally has published 'Working Together' (ref 10), a plan for closer working with the VCS, and locally a joint group of the CVS's is working on an

Action Plan to implement this. The LSC is itself going through a major upheaval, with job losses and restructuring.

Future Procurement Opportunities

72. Perhaps not surprisingly, the interviews and associated information from public sector bodies has proved to be too sparse to assemble into a 'compendium' with timelines, as was hoped for in the original specification for this study. Authorities in general have poor corporate information on the contracts they hold and with whom, and do not yet take a systematic approach to reviewing and procuring services. In the immediate term, therefore, the opportunities for the VCS appear to be largely those that already exist and which may be the subject of re-negotiation or re-tendering; these appear to fall mainly within the areas of personal, health and social care.

73. In the medium term- say the next two-three years- there is the prospect of service reviews and strategy development in fields such as adult residential and day opportunities (including the developing approach to 'supported living'), which could offer new areas for VCS involvement. Those organisations already active in these or associated fields would appear to be in the strongest positions.

74. It seems clear that opportunities for procurement for the VCS and social enterprise will take some time to develop if reliance is placed on the public bodies themselves to identify and then procure services and other opportunities in ways that are sensitive to the needs of the VCS/ social enterprises. Notwithstanding the moves towards adopting some of the good practices identified at national levels in relation to procurement and the VCS, these will be of little relevance if the procurement opportunities themselves are not created.

75. Interviews with public bodies and other organisations included in the study featured discussion of future opportunities and ideas for VCS/ social enterprise procurement. These include the following possibilities:

- **Specialist health, social care** (and other services?) for ethnic/ cultural groups (e.g.. meals on wheels, interpretation and translation services in the Bedford area)
- **Social care** –childcare expansion; growth of direct payments; expansion of adult supported living, day activity and associated services (Learning Disability, older people), support for carers
- **Health promotion/ disease prevention** (e.g. alcohol and drugs), sexual health
- **Community/ Day Mental Health** services
- **Community health services** (in partnership with or subcontracted by GP's or possibly in competition with these)
- **Secondary education** (Goods, catering supplies/catering, new forms of School- 'High School Trusts')

- **Provision of local, community-relevant education and training** in collaboration with Further Education colleges and other 'prime providers'
- **Employment/training related areas** (these as prime or secondary objectives from other social enterprise activity)
- **Environmental construction and maintenance**- construction, housing, 'public realm' management- especially linked to the growth areas agenda. The 'Resident Services Organisation' model already trialled could provide one model here*
- **Community transport**- perhaps with some link to the relief on Council Tax for older people
- **Community research**- associated with the moves towards greater public consultation and involvement in statutory processes (e.g. Local Development Frameworks)
- **Developing 'exit routes'** for a range of public initiatives; e.g. Sure Start, Single Regeneration Budget
- **Use of community assets** such as community centres as venues for public body meetings and training, delivery of other programmes such as community education, sport, health promotion etc.

76. It seems clear that many of these opportunities will not come forward quickly if left entirely to the public bodies themselves, unless there is a major shift in the priority and pace of change in procurement practice. Where opportunities do come forward, in some instances individual VCS organisations will not be large enough or be able to offer the full range of services or goods looked for in procurement opportunities. In these situations working together in **consortia**, perhaps with a 'lead partner' who takes on the contract management and support role for all providers is one model.

77. Likewise, there is also a possibility of VCS/ social enterprise organisations becoming **contractual partners or sub contractors** to commercial bodies tendering for some public sector contracts. This fits with the national encouragement of supply chain development to maximise opportunities for local, small and medium size enterprises including social enterprise.

78. In addition, as suggested by one public sector body, there could be an opportunity for VCS organisations to pool their own **purchasing** with that of the public bodies in order to secure better value goods and services through 'piggy-backing' on public sector procurement, or alternatively develop their own collective approach, as is being explored in some neighbouring ChangeUp consortia (e.g. Cambridgeshire).

* 'Resident Service Organisations (RSOs) are resident led social enterprises. They employ local people to provide local services. Their aims are to help people who are not in secure work into work, to improve services delivered to an area and to empower the community as a whole by encouraging training and resident management of the RSO. The concept of **local services provided by local people** in areas of deprivation, is immensely attractive to those who wish to achieve social aims. Even in a time of low unemployment, those at the bottom of the pile need a helping hand to get into work and RSOs are created to be on the doorstep and open to people with a low skills base. With training and work experience they then become more able to fend for themselves in the jobs market.' Ref 11

PART 3: FINDINGS-Social Enterprise in Bedfordshire & Luton

Key Points:

- Previous research into social enterprise in the local area found that this was relatively underdeveloped and that most activity was in small, community - based organisations operating across a variety of service areas. Though some research found little obvious potential for growth, other findings suggest that there are a number of organisations who are interested in pursuing social enterprise as a means to diversifying their income streams and growing, based on evident demand for their activities.
- Interviews with social enterprise support bodies suggest that there has been continued provision of support to VCS and other organisations interested in developing social enterprise, and that there is likely to have been a general increase in awareness and moves towards a more 'business-like' approach to their work by some organisations. No firm evidence was provided on the extent to which this has resulted in more trading activity or new social enterprises.
- Interviews with a selection of VCS/ social enterprise organisations confirm the main findings of the previous research. Some organisations are already involved in trading and are pursuing a 'social enterprise approach'. Others are less interested in this and see their future in terms of further grant funding, or at worse securing funding through a more challenging Service Level Agreement.
- Some organisations are considering a role as an 'umbrella' to support other organisations in their moves towards social enterprise, whereas others would like to develop this activity but are not sure how to 'break in' to a particular area or service and how to achieve the growth or change in their organisation that is implied.
- Support for social enterprise development remains largely as it did at the time of the previous research. Interviews suggested that some support services may be under threat (i.e. Funding advice and small grants for social enterprise development through the CVS's) and there are some new initiatives underway or planned which are of particular relevance to procurement (by JobCentre Plus through the Luton & Dunstable Partnership and by the Chamber of Commerce/ Business Link).
- However, interviews revealed that there is a need for greater coordination and development of the support services provided. This might be achieved through the local, former 'SSEER' Steering Group as it adjusts to the ending of that project and considers its future.
- Interviews revealed a number of issues and obstacles affecting the VCS/ social enterprise involvement in public sector procurement. The comments made can be classified as those primarily about factors to do with how the public sector organises and practices procurement (where the public sector bodies revealed a good appreciation of the difficulties faced by the VCS), those to do with the nature (or perceived nature) of the VCS and more general, contextual factors which it is perhaps more difficult to change or influence (e.g. the drive for cost reductions and NHS restructuring).
- National studies have identified a number of general risks potentially affecting VCS organisations taking up a role in public service provision (e.g. loss of public trust, loss of independence, mission drift) and have explored some of the key factors in successful transfer of services from the public sector to the VCS.

Extent and scope

79. This study did not aim to carry out comprehensive research into the nature of social enterprise in Bedfordshire and Luton. This is primarily because relatively recent research has already been completed (refs. 12 and 14). Instead it was decided to explore the extent to which the findings of these studies are likely to have changed in the interim 18 -24 months by interviewing a range of organisations providing support for social enterprise development and some social enterprises themselves, especially those already having or interested in gaining experience of public sector procurement. Appendix 1 lists the organisations included in the study.

80. The Guild research found that compared to other parts of the East of England, there were a smaller number of social enterprises operating in Bedfordshire and Luton in 2001 (around 106, representing 9.6% of the regional total- ref. 13). The further research carried out in 2003/04 interviewed 25 social enterprises and found that:

- Most of the organisations interviewed were relatively small
- Many had a community or voluntary background
- There was lack of an evident commercial or entrepreneurial ethic in the sample, with many reliant on grant funding and focused on this as their main source of income
- Less than half those interviewed were receiving any external business support, but where they were there was a strong relationship between the type of organisation and the usual sources of support; most voluntary and community groups obtained this from agencies in the VCS, whereas the more business orientated were more likely to be using business-based support organisations
- There was little evidence from the sample of aspirations for growth
- Many of the organisations struggled to identify with the term 'social enterprise' and were unclear about the role of the social enterprise sector.
- A sub sample of organisations looking to grow felt that the existing support agencies were not relevant to their needs because of a focus on supporting new start ups
- Further interviews with other organisations thought to have 'growth potential' failed to identify any strong potential

81. A survey of voluntary and community organisations undertaken by Bedfordshire Rural Communities Charity (as part of the 'Voluntrade East' project, ref. 14), sought to establish the extent to which VCS organisations were already involved in trading, their use of support services and future aspirations for trading activity. A postal questionnaire resulted in a response of 28 (4%). The research found that most of these were already involved in trading activity of some kind, including:

- Community Transport
- Savings and Loans
- Café/ catering
- Recycling.
- Retail
- Health care support

- Learning and training for disabled
- Counselling Services
- Training and development
- Pre school education, nursery
- Community Arts, crafts
- Social Support
- Accommodation, incl. Homeless

82. Around three quarters plan to increase their trading activity and about the same proportion mentioned finance and funding as a major obstacle to fulfilling their growth aspirations. The main conclusions from the research in respect of VCS organisations and trading were:

1. 'Trading is part of a wide range of income generating activity with much reliance placed on grants.
2. Most respondents see sustainability as 'more of the same'- i.e. trading as a supplement to other income from grants, donations etc. rather than as a potentially more important activity which can help to generate income to support social objectives.
3. Most respondents generate trading income from their core activities.
4. Once they have started trading, organisations continue with this.
5. Most organisations have no plans to become totally self sufficient within the foreseeable future.
6. One organisation wanted more information on setting up a social enterprise in relation to its core activity.
7. The most important support for respondents was funding from local authorities and other sources. Other advice and support was obtained from a range of organisations within and beyond the County.
8. Most respondents saw continuity of grant funding as the key factor affecting their ability to continue trading.
9. Until recently there was no direct, business –based support for VCS organisations but Business Link have since set up a new advisor post- but there appears to be a lack of awareness of this among the respondents and whilst a small number of respondents are members of the Chamber of Commerce, in the majority of cases VCS organisations will not see Business Link or similar organisations as their 'natural' source' of advice and support.' (ref. 14)

83. It is not possible to conclude from the interviews with support bodies that the amount of social enterprise in Bedfordshire and Luton today has grown significantly from the position two years ago. There does appear to have been a period of further investment in support for social enterprise development from a number of bodies and there is a feeling that many VCS organisations are now more aware of what social enterprise is and what they could do to improve their sources of income from such activities. Some organisations have undoubtedly developed their internal management capacity and are looking at trading opportunities or have indeed started to develop these (e.g. generating income from new community premises). The potential for some VCS organisations to play a greater part in public service provision is evident from the interviews with a

selection of those already involved or interested in pursuing this route. The main findings are:

- There is a wide range of VCS organisations operating locally- some locally based, others part of regional/national bodies
- Some have relationships with the public sector in terms of short term grants, albeit in the form of more demanding SLA's- and some do not want or are not prepared to move away from this
- Some organisations are already participating in competitive tendering
- Some are considering a role as an 'umbrella' body to support the formation and development of new social enterprises to meet identified needs/ opportunities
- Others are not quite sure how to 'break into' the explicit provision of public services or have met difficulties on the way
- There is an opportunity to demonstrate the added value that VCS organisations can often bring to public procurement- e.g. developing user involvement and control as a basis for demonstrating potential advantages over public/private provision

Support for Social Enterprise

84. The Guild research (ref. 12) found that social enterprise support was being provided through three main types of organisation:

- Voluntary and Community Sector based agencies
- Business based agencies
- Opportunity-based organisations (often working within a specific market or field of service)

85. The Guild research indicated 'a general lack of awareness about the role of a social enterprise by many of the support organisations interviewed and thus many were unable to offer any type of specialist support.' (ref. 12 pages 5-6) Eight organisations were able to offer one to one advice specifically targeted to social enterprise, whilst six had specialist training provisions. It also found that support in the form of finance was not very well known or accessed, the focus being on grants.

86. The report concluded that there were six key organisations 'taking a leading role' in social enterprise support in Bedfordshire and Luton:

- Chamber of Commerce- Business Link
- Voluntary Action Luton
- Luton Borough Council
- Cranfield Trust
- Luton & Dunstable Innovation Centre
- Social Firms Eastern Region

87. In addition Bedfordshire County Council and Bedford Borough Council were found to be playing more of a strategic and funding role in the SSEER project. To this list might be added the University of Luton which has developed an interactive, web-based programme of support ('Devices') for small enterprises.

88. The report also found:

- A concentration of support services in Luton
- A lack of networking by support providers
- Lack of evidence of collaboration to promote social enterprise and increase the size of the market

89. The current research did not aim to replicate the Guild Study, but rather to review the work of a few agencies and to get their perspective on the local social enterprise scene, issues and problems for the VCS and social enterprise in relation to public service procurement, information on the current support services they offer and views on future support.

90. The following organisations were interviewed:

- North Beds CVS
- Voluntary Action Luton
- Voluntary and Community Action South Beds
- Mid Beds CVS
- Chamber of Commerce- Business link
- Luton Borough Council (Community Enterprise support)
- Luton and Dunstable Partnership (in respect of a new JobCentre Plus-ESF Capacity Building project)

91. It appears that the majority of support provided by these organisations has not significantly changed since the Guild research. **The CVS's** on the whole provide advice and training to VCS organisations on general management and funding issues, and VAL continues to provide a more specific social enterprise advisor service including the development of networks (e.g. of lunch clubs) and a 'health check' for organisations which can lead on to advice, training and other help. Of concern to the CVS's generally, is their future capacity to provide a funding advice service, given pressures on their own grant funding. These services can be seen as an important contribution to VCS organisations bringing investment into the area's VCS organisations and also in becoming more self sufficient through diversifying income streams including through social enterprise activity.

92. **The Chamber- Business Link** has provided one to one advice and support to a number of organisations, working through a specialist advisor and more generic business advisors. The focus is mainly on start up and 'pre start-up' enterprises. The specialist has aimed to 'mainstream' social enterprise advice through Business Link's generic advisors and has also been proactive in developing a network of social enterprises, including a 'clustering programme' focussing on specific sectors such as adult learning and pre school childcare. Until recently funded from the SSEER project, this service has now secured a further round of funding (from the Equal fund and via ESF) to continue to provide training for social enterprise organisations and Business Link's own advisors over the next two years as well as a project specifically aimed at developing procurement from social enterprises in Bedfordshire CC and Luton BC. At the time of writing the precise terms of reference and delivery plan for this project were being developed, but it is likely to include the provision of workshops for procurement officers and social enterprise organisations; identification of issues and needs for these

organisations; possibly the setting up of a group (e.g. a consortium) to take forward a particular procurement opportunity..

93. **Luton BC** has a Community Enterprise Officer who continues to support Community Development Trusts in the Town through one to one advice and training and is increasingly working inside the Council to make service departments aware of social enterprise and its potential in procurement. A 'Community Enterprise Strategy' was produced by the Council in late 2004 (ref. 15).

94. **Luton and Dunstable Partnership** has been successful in securing JobCentre Plus- ESF funding to run a capacity –building project for VCS organisations working with the unemployed across Bedfordshire and Luton. Won in competition, this contract will deliver a range of training and networking events, a capacity-building 'toolkit' and a project manager who will work with organisations to help them to evidence their achievements, develop a funding strategy and build management capacity and their ability to make successful bids for resources.

95. Comments made during the interviews with these organisations suggest that the lack of networking and collaboration between the various support bodies are still important issues. The interviews revealed a lack of a strategic and coordinated approach to social enterprise development on the part of the various agencies, for example, interviewees mentioned the following:

- Concerns expressed at the nature of referrals from one type of support organisation to another demonstrating a lack of understanding of the services provided and a lack of agreement about what constitutes a social enterprise.
- Concerns expressed at the lack of partner response to a particular organisation's strategy for social enterprise development- but also concerns at the lack of early partner engagement on the development of this plan.
- Concerns at the lack of understanding of the support needs of VCS organisations by those providing the support.

96. Looking to the future aspirations of those interviewed the main points made were:

- The need to consolidate and strengthen practical support for the VCS (especially via CVS's) in terms of issues such as securing full cost recovery, measuring costs and reviewing these, identifying core values and taking a strategic approach to funding and demystifying and putting in place practical, measured steps to realise the potential of public sector procurement.
- Encouraging the VCS and social enterprises to look beyond public sector procurement to other potential opportunities- e.g. subcontracting and consortia to achieve other objectives (e.g. training)

Issues and obstacles in public sector procurement

97. What are the main obstacles and issues for VCS and social enterprise organisations in being successful in public sector procurement? The support organisations, VCS/ social enterprise organisations and the public sector organisations interviewed were asked for their views on this. The results are set out in Tables 2-4.

98. **Table 2** sets out comments by the three different types of organisation on factors considered to be issues or obstacles *primarily internal to procurement and associated policies and procedures of the public agencies*. This Table shows that the public sector bodies are aware of a range of detailed policy and procedural obstacles to VCS involvement in procurement, whereas comments by VCS organisations and support bodies do not identify these specifics as much, and include more general statements about the position and approach of the public bodies concerned.

99. **Table 3** sets out comments from the three types of organisation on obstacles and issues which can be seen as *primarily internal to the VCS and social enterprise*. This Table contains a number of similar comments from different types of organisation on the issues affecting VCS organisations, including the cultural traditions and practices of the sector and some basic issues of organisational capacity and systems. Some interesting perceptions (stereotypes?) of the VCS are evident.

100. **Table 4** focuses on factors which can be seen as more to do with the *wider context* in which public sector procurement is operating and which, arguably, are less open to change or influence at local level. This Table shows a range of identified issues and obstacles, with the complexity and restructuring of the public sector, cost pressures and the tension of these with the aspiration to work with the voluntary and community sector being mentioned by several people.

Table 2: Issues and obstacles for VCS involvement in public sector procurement- *obstacles primarily in public sector procurement*

Public sector interviews:

- Public bodies not understanding the markets in different fields of procurement
- Delays in strategic planning preventing progress in opening up new procurement opportunities
- 'Approved lists'- but these seem to be on their way out
- Lack of understanding by public sector of what VCS offers and its potential- VCS needs to be more proactive in communicating this and avoid 'drifting in and out' of awareness by local authorities
- Timescales and other procurement requirements
- Council seen as 'unfriendly'
- Move to larger contracts seen as ruling out small, VCS organisations, but risks of developing monopoly providers which alters power relations in a particular local market
- Procurement based largely on 'who you know' and little move outside the known set of providers by public sector purchasers (but a feeling, in contrast that service reviews can help to open up creative responses to needs)
- Barriers to establishing a track record
- Lack of transparent, forward purchasing plans by public sector makes it difficult to plan ahead by providers
- Current budget deficits by PCT's is putting a brake on further development of pooled budgets and joint commissioning
- Yearly agreements/ contracts
- Documentation and bureaucracy of the tendering process
- Lack of information on long term funding agreements inherited from previous funders (e.g. HAZ)
- Focus of PCT's on acute services, so less priority to areas where VCS involvement more important and therefore at a greater risk
- A lack of targeting/ mapping of serious and sensible opportunities for the VCS

VCS/social enterprise support body interviews:

- Political views against a perceived 'sell off' of council services in some areas
- The performance target focus of public bodies in non core areas putting these activities under threat
- Local authority policies, procedures and regulations; e.g. public liability insurance and insistence of a particular 'legal entity'

VCS/social enterprise organisation interviews:

- Political/organisational tensions, e.g. local authorities wanting to protect their own services
- Historic Service Level Agreements which have been funded at a similar level for some time and so do not accurately reflect real costs
- A lack of a positive, practical approach from a local authority on the implementation of its Community Strategy
- Tendering is time consuming
- Some markets are 'sown up' and are difficult to break into
- If you are not already contracting in a particular field the feeling that you are 'out of the loop' in terms of future opportunities
- Procurement rules and the scale of some contracts
- The language and documentation associated with some procurement opportunities
- Lack of proper contract documents and delays in confirming funding (in relation to SLA's)

Table 3: Issues and obstacles for VCS involvement in public sector procurement- *obstacles primarily in the VCS/ social enterprise itself*

Public sector interviews:

- VCS tradition of 'serving everyone' - compared to Local authorities increasingly having to prioritise and restrict access to some services
- Independence (stubbornness?) of some VCS organisations
- VCS approach seen as 'less professional, less committed' because of voluntary basis
- Lack of effective management information systems by many VCS organisations
- Many VCS organisations seem reluctant to query tender documents etc.
- Quality standards expected by some contracts seen as beyond VCS ability to deliver (e.g. staff vetting, insurance)
- Finance and associated risks in setting up a new service
- Some VCS organisations unable to evidence their performance

VCS/social enterprise support body interviews:

- Lack of awareness of different support projects working across the different support bodies
- The need for capacity building to address the requirements of organisations wanting to grow as well as focussing on new initiatives/ start ups
- The quality of leadership and management in many VCS organisations
- The lack of readiness of many VCS organisations for the procurement opportunities being opened up
- The VCS reluctance to change what they do to meet public bodies expectations/ requirements
- The lack of VCS strength in financial management and planning
- Lack of understanding/ fear of certain terminology by VCS organisations, such as 'business planning'

VCS/social enterprise organisation interviews:

- Risks- especially when contracts are constructed on a basis which leads to very volatile demand; and when a procurement opportunity involves moving into an unfamiliar area
- Lack of skills for tendering
- The time and resources needed to position the organisation for successful procurement- especially when other organisations are perceived to be 'ahead of the game'
- Tensions between some organisations making it difficult for them to work in partnership/ collaborate to deliver a 'joined up response' to opportunities
- Finding the resources to build up the organisation's capacity in anticipation of growth- e.g. staffing structure and numbers- FutureBuilders is limited
- Trustee attitudes
- Lack of strategic approach to some opportunities by some VCS organisations
- Knowing your costs and knowing your market
- Priorities- how to grasp the potential of procurement when there are so many other pressures

Table 4: Issues and obstacles for VCS involvement in public sector procurement- *obstacles in the wider context*

Public sector interviews:

- Conflicting public sector agendas- efficiency versus engaging with the VCS
- Perceptions by some parents, carers of VCS that it is 'second best' and less secure (in care services)

VCS/social enterprise support body interviews:

- The cost reduction agenda in the public sector
- Organisational change and restructuring among the public sector bodies
- The ending or reduction of particular grant schemes (e.g. SRB, ESF, Lottery)
- The lack of a strategic framework for Bedfordshire and Luton

VCS/social enterprise organisation interviews:

- The complex organisational scene in the public sector
- Competition- not just between VCS organisations, but also with the public sector itself as a provider
- Charity commission rules on trading
- National organisations 'poaching' local procurement opportunities
- Public sector restructuring , so risking the loss of some coterminosity of organisations for public sector procurement
- Lack of strategic leadership in the public sector
- Variable levels of expertise and advice from the range of existing support for social enterprise locally

101. As well as these largely practical issues and obstacles, there are some important risks for the VCS in considering a move towards greater involvement in public sector procurement:

- **Possible loss of public trust** as VCS organisations are perceived to be more closely associated with public services
- **Potential loss of independence** as a result of increasing the reliance on public sector income from service provision under contract
- **Gradual dilution of mission** as service provision may erode the time, energy and commitment to an organisation's rationale
- **Becoming a service provider to the detriment of other VCS roles-** enabling participation; building social capital; learning citizenship
- **Financial risks** associated with needing to position and grow an organisation in order for it to be able to successfully compete in public sector procurement, and often with no or limited assets/ reserves to cover such risks
- **Cultural tensions-** continuity vs. change; entrepreneurial approach vs. the need for financial and organisational security.

102. A national study into the transfer of public services (Ref. 9) reveals some interesting findings which are of relevance to procurement of services for the VCS more generally. This identifies the key factors for success in such transfers:

- **Drivers**- the factors often leading to a transfer being considered, e.g. market failure; absence of choice; proactive commissioning/ market understanding and development; dissatisfaction by existing service users and/or providers; cost reduction; the VCS or other provider's access to other sources of finance and their willingness to manage risks; whether there is likely to be a matching of financial reward and security with the business model being adopted.
- **Attitudes**- of service users and providers- especially staff and governors
- **Business planning**- the relationship between cost and price; whether there are resources to help fund change; the financial leverage of alternative providers - e.g. fundraising, access to capital, and their financial flexibility
- **Governance**- the implications for existing and new organisations; the important role of umbrella and advocacy organisations; importance of skilled intermediary organisations

103. This national study goes on to identify the key requirements to ensure a successful transfer of public services to a VCS provider:

- the **financing arrangements** allow for sufficient confidence
- the **regulatory environment** permits it
- there is **sufficient scope to assist** the voluntary organisation to respond to the change, either through its own internal capacity or through an intermediary or infrastructure organisation.

PART 3: CONCLUSIONS & THE WAY FORWARD

Key Points:

- Existing public sector procurement from the VCS in Bedfordshire and Luton is probably relatively small in scale and in the short term is likely to be focused on the sectors where it is already concentrated. Public sector bodies are currently paying little attention to the particular needs of VCS organisations in their procurement policies and processes.
- In the longer term more significant opportunities for public sector procurement seem likely as a result of government policy on 'public service modernisation'. These may be new opportunities increasingly developed jointly between bodies participating in Local Strategic Partnerships and through Local Area Agreements.
- Social Enterprise activity locally is underdeveloped and support tends to be generic, focused on start up enterprises and is not well enough coordinated.
- There are a number of risks and tensions for VCS organisations playing an increasing role in public service provision which may make this route inappropriate or undesirable for some.
- There are some fundamental questions to be asked including whether and to what extent action is needed to promote procurement of public services to the VCS, whether and how a more effective response from the VCS can be achieved and how to best support the organisations involved. There are a number of arguments for taking a proactive approach to the development of public sector procurement opportunities for the VCS/social enterprise and supporting organisations to develop and take advantage of these.
- Three strategic objectives are proposed which focus on improving the generic and associated support for VCS organisations in developing their income streams and sustainability; developing a new capacity and focus to foster growth and development of new public sector procurement opportunities and an effective VCS response; and the development of more effective links between the VCS and public sector procurement bodies. A number of potential ideas for development are suggested for each of these objectives.
- Some resourcing of these ideas can be achieved by redirecting existing funding, staff time or priorities, but some new investment is needed which can be secured from a range of different sources. EEDA's 'Investing in Communities' programme appears to be especially relevant
- It is recommended that early attention is given to developing the dialogue between the public sector and VCS bodies on procurement and to take forward a number of specific actions on each of the proposed objectives.

Main Conclusions

104. Though there have been difficulties securing some basic information on public sector procurement locally, the Study has been able to discover some important findings. It is also possible to draw some conclusions and develop a number of strategic objectives and ideas for further development based on these.

105. The Study has found, through a mix of local and national information, that existing 'mainstream' public sector procurement from the VCS tends to be mainly in well established sectors and there is little evidence of this changing much recently, or of much scope for this to change significantly in the immediate future. In the longer term several possible areas of potential interest to VCS bodies (existing or not yet in being) have been identified and public service modernisation may well create several other opportunities.

106. Most of the public bodies studied locally are paying little attention at present to the scope and benefits of procurement from the VCS/ social enterprise, even though there can be a range of important added benefits to procurement from these types of organisation. Instead, the current focus is on developing internal procurement policies and practices whilst rolling forward, and to an extent making more challenging, a range of service level agreements covering existing contracts with the VCS.

107. In the medium term it appears that many public sector contracts will generally increase in scale (either through explicit regionalisation or through greater collaboration between purchasing bodies at local as well as regional and national level). Some are likely also to be more complex as organisations strive for economies of scale and streamlined contract management.

108. In the longer term, the development of increasingly 'joined up' service provision and policy (as is being encouraged through Local Strategic Partnerships and Local Area Agreements) provides another stimulus to public bodies reviewing and opening up to reconfiguration and innovation, traditional areas of public service.

109. The VCS/ social enterprise sector locally is under-developed and despite continuing efforts to raise awareness and support development, there appear to be relatively few organisations actively pursuing a social enterprise route, though there are others keen to explore more limited ways in which they can diversify their income and become less vulnerable to reductions or other changes in grant and similar funding.

110. Social Enterprise support work tends to be largely reactive, focused on starting up new activities/ enterprises and does not particularly target public sector procurement as opposed to other forms of social enterprise activity. There appears to be no strong, coordinated approach towards development of a range of procurement opportunities and the development of potential suppliers from the VCS. This may in part be due to perceptions that public bodies would run the risk of 'anti competitive behaviour' by supporting the development of VCS suppliers, though as

has been shown there are no legal barriers to a general approach to development of social enterprise suppliers.

111. There are a number of important obstacles and issues to securing greater involvement of the VCS in public sector procurement, some to do with the ways in which the procurement processes and practices are organised, some to do with the inherent (or perceived) features of the VCS/ social enterprise and some of more general concern such as national cost reduction, performance pressures and organisational restructuring.

112. There are also a number of fundamental risks to voluntary and community /social enterprise organisations participating in public service provision which may mean some do not wish to go down this route. For others, even though they may be eager to develop this approach, issues of critical mass, capacity and skills make this extremely difficult on any significant scale.

113. The key questions then are:

- 1. To what extent should the procurement of public sector services from the VCS/ social enterprise be consciously and actively pursued at local level?**
- 2. If it is to be actively pursued, how can public sector bodies best be enabled and supported in developing their policies and practices in order to open up procurement opportunities for VCS/ social enterprise organisations?**
- 3. How can we develop effective support to existing and potential VCS/ social enterprises in preparing for procurement opportunities, including those of significant scale and complexity?**

114. These are questions which need to be addressed collectively by the public bodies and the VCS/ social enterprises in the Bedfordshire and Luton area. There are powerful reasons for a proactive, coordinated effort at developing the VCS and social enterprise response to public sector procurement opportunities.

115. The absence of this kind of positive approach could hasten a decline in locally-based VCS/ social enterprise through a combination of reducing grant opportunities (not being matched by increased contract income), and potentially alongside this a growing presence of national and regional VCS bodies which have the critical mass, track records and capacity to gear themselves up for major public service procurement.

116. More positively, there is already solid evidence from various national studies of the importance of VCS and social enterprise organisations in delivering effective and efficient public services, in contributing to the strength of local economies and in adding value to service delivery by achieving associated community benefits such as

training and employing the long term unemployed, encouraging community participation and developing social capital.

117. So, the case for public sector bodies and the VCS coming together to positively to promote public sector service delivery through the VCS is strong. What needs to be done to achieve this?

Objectives and Ideas for Action

118. The study has found a need for development in several fields. Further discussions are needed on the following objectives and specific ideas for development between the VCS and public sector locally. A planned 'dissemination event' offers an early opportunity to promote this and to agree specific areas for more detailed action planning.

Objective1: Coordinate, consolidate and strengthen support for the VCS to develop a more diverse income base, including social enterprise activity, achieving more secure long term funding arrangements to support the organisations and initiatives delivering this support.

This could be achieved by:

1. A collective local authority plus other public sector approach to longer term Local Authority/other grant funding to protect and strengthen the general funding advice and other support provided through the CVS's and their equivalent.
2. Clarify and coordinate public sector funding strategies and policies towards the VCS (perhaps via LSP's) in order to secure a sensitive and appropriate approach to the different functions of the VCS. This should include grant funding for developing the capacity of the VCS, promotion of community participation, building of social capital etc. This might also include a re-invigorated approach to developing a 'single gateway' to grant funding (as has been established in Suffolk). This reflects advice from the National Audit office (ref. 23 page 4)-' Funders need to be clearer about the purpose of funding, and decide for each funding programme whether they are engaged in supporting a worthy cause ('giving'), procuring services ('shopping') or in building capacity in the sector ('investing').'
3. Former SSEER Steering Group to review its role and composition and position itself to effectively coordinate development and delivery of all forms of social enterprise support locally as well as acting as a local champion for social enterprise. An early priority should be the development of an agreed Strategy to which all relevant agencies contribute and commit.

Objective 2: Develop focused, specialist support for public sector transfers/ procurement/ new areas of service and the development of a systematic identification and plan for effective VCS and social enterprise responses to these.

This might be achieved by the following:

1. The current range and approach of the generic social enterprise support available seems insufficient by itself to ensure the successful identification of procurement opportunities and to marshal the appropriate VCS response to these. A priority, therefore, is to develop a new form of support service which is; able to sit comfortably between the public sector and the VCS; compatible with existing forms of support; owned and valued as a development agency, broker of opportunities and responses; and which is able to foster new as well as development of existing VCS organisations, especially where large scale service transfer, re-organisation or reconfiguration is being considered. This 'unit' of experts could be hosted by an existing organisation for 'pay and rations' purposes, be steered by a joint Board and could have development workers available in different parts of the local area. It might be linked to the development of other social enterprise initiatives such as resource/ incubation centres for new social enterprises. An example of such a Unit is 'SCEDU' in Sheffield (see Appendix 2 and www.scedu.org.uk for further information)
2. Provide additional capacity and skills for VCS organisations through a scheme to organise secondments of commercial staff to work with them on a *pro bono* basis focused on potential procurement opportunities and social enterprise more generally. The Chamber of Commerce is possibly well placed to lead this programme.
3. Consider pilot developments of new forms of social enterprise such as 'Resident Services Organisations'- these would seem to be particularly suited to community trusts in disadvantaged areas and possibly in new neighbourhoods created under the sustainable communities plan.
4. Foster asset transfer and development as a basis for social enterprise activity and so boost VCS financial security- promotion of case studies and selective, 'pilot asset transfers' could be agreed to act as local 'test beds' for more substantial transfers and development of assets. There is a range of existing and developing funding sources available to help achieve this.

Objective 3: Develop closer links, better knowledge and understanding between VCS and public sector bodies, to make public sector procurement practices more responsive to the special needs of the VCS and social enterprise.

Ideas here include:

1. Connect Business Link Procurement Project and possibly the Luton & Dunstable Partnership (JobCentre Plus) Capacity Building Project into Bedfordshire and Luton Local Authorities Network and wider development work.
2. Focus development on social enterprise organisations in one or two firm areas of potential to demonstrate the wider case (e.g. Translation and Interpreting Services for the County Council/ others, a construction and environmental maintenance service linked to new housing development).
3. Seek links/participation of VCS Infrastructure Consortium on Local Authority Network and seek more positive engagement of the sector with the VCS, with Regional Centre of Procurement Excellence support.
4. RCPE to promote discussion and agreement of 'VCS friendly' procurement practices in the 'Road Map' being developed by the Local Authorities Network in Bedfordshire and Luton.
5. Use VCS input to LAA's to promote joined up procurement and VCS- friendly practices.
6. Clarify VCS membership of joint commissioning groups (in health and social care) to make VCS representatives effective promoters of the VCS and to channel information and develop VCS capacity to respond to procurement opportunities (and pay representatives to perform this role?).
7. Promote the VCS to public sector through local and other case studies and examples of good practice- especially to operational departments where much procurement responsibility currently rests.
8. Set up arrangements to develop a local 'Procurement Compact' between the VCS and public sector bodies (perhaps using national good practice advice as a starting point), to sit as part of the wider local Compact. Ensure that there are effective promotional and monitoring arrangements in place.

Funding

119. Some of the above objectives and ideas for development require changes in practice and new working relationships which may have limited requirements for additional funding or perhaps opportunity costs associated with new priorities and ways of working. New funding would be required, however, for the development of the new focused support and brokering unit proposed and once established this could also provide the necessary support to achieving other objectives and ideas (e.g. supporting the formulation of new 'Procurement Compact'). This proposed new unit would also be active in securing funding for investment in social enterprise in the area, including drawing in external capital from regional and national sources.

120. The principal sources of new funding include:

- **Regional Centre for Procurement Excellence**- funding for projects to help local authorities develop procurement to achieve efficiency savings and/or meet the national procurement strategy.
- **Investing in Communities (EEDA)** - the time is right to include some of the ideas mentioned above in the Bedfordshire and Luton strategy under discussion with EEDA. This includes the possible development of a community asset - building programme.
- **Public Sector Grants** (resulting from the case being made for the VCS, perhaps increasingly via the LSP/LAA route or as match funding for other sources as set out below)
- **FutureBuilders/ Adventure Capital Fund/ Suffolk Regeneration Trust / other Community Development Finance Institutions**- to foster asset and social enterprise development, including that associated with public service delivery.
- **Charitable Trusts** such as the Esmee Fairburn Trust which are increasingly building in to its grant scheme the requirement for sustainability through social enterprise.
- **The Big Lottery** where appropriate.
- **European Grant** funding which promoters and bidders should be encouraged to use, where appropriate, as a foundation for long term sustainable growth.

Recommendation

121. Having considered the strategic objectives and ideas for development it remains to highlight the specific actions that are considered a priority:

The public sector, VCS and social enterprise organisations in Bedfordshire and Luton should consider this report and agree a prioritised set of actions in order to develop a momentum and direction for the positive development of public procurement and the effective involvement of the VCS and social enterprise in this.

Early consideration should be given to:

- **the securing of longer term grant funding to support the more generic and associated VCS support for social enterprise development in the area.**
- **the setting up of a specialist unit to provide a range of focused support and brokering for the development of public procurement opportunities and the VCS response to these where appropriate.**
- **identifying further ways of developing links between the VCS and public procurement bodies in the area.**
- **developing the mechanisms for a more strategic, coordinated approach to social enterprise support.**

References/ Bibliography

1. More for your Money- a guide to procuring from social enterprises (Social Enterprise Coalition, New Economics Foundation, SOPO 2005)
2. Proactive Procurement- achieving quality services and implementing policy objectives by procurement from social enterprises- Mark Cook and David Alcock, (Provide, October 2004)
3. Social Enterprise- a strategy for success (DTI, July 2002)
4. Public Procurement: a Toolkit for social enterprises (DTI 2003)
5. Evaluation of the Local Government Procurement Agenda- Baseline Survey Report – (ODPM 2005)
6. National Procurement Strategy for Local Government (ODPM, Oct 2003)
7. Delivering better services for Citizens (The Byatt Task Force- ODPM, 2001)
8. Think smart...Think voluntary sector! Good Practice Guidance on Procurement of Services from the Voluntary and Community Sector (Home Office and OGC, June 2004)
9. The voluntary sector delivering public services- Transfer or Transformation? (Will Paxton and Nick Pearce, Julia Unwin and Peter Molyneux; Joseph Rowntree Foundation, 2005)
10. Working Together: A Strategy for the Voluntary and Community Sector and the Learning and Skills Council (Learning and Skills Council, May 2004)
11. I can do that- A report by PEP on setting up Resident Services Organisations in partnership with Tenant Management Organisations (Andy Elder, Arinola Edeh, Berni McEwan, Kaye Duerdoth, Liz Clifton and Tony Baker- PEP May 2004)
12. Social Enterprise in Bedfordshire and Luton- A Report from the Guild (March 2004)
13. Mapping the Social economy in the East of England (The Guild/EEDA, 2001)
14. Beyond grants-sustainability for the voluntary and community sector in the East of England (COVER, December 2003)
15. Draft Community Enterprise Strategy for Luton (Luton BC 2002)
16. Corporate Procurement Strategy 2005-2006' (draft) (Bedfordshire CC, August 2005)
17. Funding and Procurement- Compact Code of Good Practice (Home Office)
18. Procurement Essentials (Improvement and Development Agency)
19. Public spending public benefit -How the public sector can use its purchasing power to deliver local economic development (New Economics Foundation 2005)
20. Contracting Opportunities for Social Enterprises as a result of the implementation of the National Procurement Strategy (James Cocker Associates/ COVER, MENTER and Rural Action East, Jan 2005)
21. Tendering for Government Contracts- A Guide for Small Businesses (OGC/ business Links)
22. Reform Works (Edited by Philip Collins - Social Market Foundation, February 2005)
23. Working with the Third Sector (National Audit Office, June 2005)

APPENDIX 1:

Organisations included in the research

25 face to face interviews of around 1-1.5 hours have been held with contacts in the following organisations:

VCS/ Business Support agencies

- Voluntary Action Luton (Director)
- Voluntary Action South Beds (Director)
- Mid Beds CVS (Director)
- North Beds CVS (Director)
- Business Link/ Chamber of Commerce (Social Enterprise Adviser)
- Luton & Dunstable Partnership (Chief Executive, Development Manager and Project Manager)
- Luton BC (Community Enterprise Officer)

Local authorities

- Bedfordshire County Council (Strategic Procurement Advisor and Head of Regeneration; Social Services- Partnerships Manager and Joint Commissioning Manager: Adult Learning Disability Services)
- Mid Beds DC (Legal/ corporate procurement managers)
- Luton BC (Corporate Procurement and Social Services)
- South Bedfordshire DC (Procurement Manager)

NHS Trusts

- Bedford PCT (Director of Modernisation)
- Bedford Hospital (Supplies Manager)
- Luton PCT (Asst. Director of Commissioning)
- Bedfordshire Shared Services (phone)

Government agencies

- Job Centre Plus (Regional Contracts)
- Learning and Skills Council (Bedfordshire & Luton)

Voluntary and Community Organisations

- Bedford Pilgrims Housing Association (Chief Executive)
- Dallow Development Trust (Director)
- The Befrienders (Chief Executive)
- Disability Resource Centre, Dunstable (Chief Executive)
- Homestart- Leighton and Linslade (Coordinator)

Other

- Regional Centre of Procurement Excellence (Assistant Director)
- Social Enterprise East of England (attended launch of S.E. Strategy and associated 'showcase' and spoke with Development Manager)
- The Guild (phone- Michael Waring- 'Nearbuyou 'Website etc.)
- BLEDP (attended Annual Plenary Event and spoke to Investing in Communities Development Manager)
- Small Business Service (attended SME and public procurement event)

APPENDIX 2: Questionnaire on good practice guidance etc.

1. Background

Your organisation's name:

Name of person completing the questionnaire:

Position:

Telephone number:

Email address:

What do you understand by the term 'social enterprise'?

Please indicate your knowledge/use of the following publications (**yes or no** in all boxes that apply):

Publication	I am generally aware of this	I have read it	I and/or colleagues have used it do develop the organisation's procurement strategy, policies or practices
National Procurement Strategy for Local Government (ODPM, Oct 2003)			
Procurement Essentials (Improvement and Development Agency)			
Think smart...Think voluntary sector! Good Practice Guidance on Procurement of Services from the Voluntary and Community Sector (Home Office and OGC, June 2004)			
Funding and Procurement- Compact Code of Good Practice (Home Office)			
Social Enterprise- a strategy for success (DTI, July 2002)			
More for your Money- a guide to procuring from social enterprises (Social Enterprise Coalition, New Economics Foundation, SOPO 2005)			
Public spending public benefit -How the public sector can use its purchasing power to deliver local economic development (New Economics Foundation 2005)			

3. Good Practice in procurement from voluntary/community/social enterprise organisations

Good Practice	Action we have already taken	Action planned in the next 12 months	Key issues and other comments
1. Ongoing Work			
Developing the supplier base			
1.1. We know the markets for our services/projects/goods and the players within them			
1.2 We hold regular “Meet the Buyer” events – these are good for Voluntary/community/ social enterprise organisations to form alliances with prime contractors			
1.3 We have produced a guide on “how to do business with us “ and publish this on the corporate website, together with details of bidding opportunities and contact details for each contract			
1.4 We publish a named contact for enquiries from potential suppliers			
1.5 We are working with social enterprise/ voluntary/ community networks and other business networks in order to increase awareness of upcoming procurement opportunities and to increase the numbers of tenders received			
1.6 We know what other people in the organisation are doing around social enterprise development and support			
1.7 We know which social enterprises are operating in the area, how many are on our approved supplier lists and we have identified any obvious gaps in social enterprise representation on these.			

Good Practice	Action we have already taken	Action planned in the next 12 months	Key issues and other comments
2. Shaping Programmes & Strategies			
Establishing policy and defining the need			
2.1 We consider the likely impact of particular programmes and strategies on the voluntary/ community/ social enterprise sectors and the benefits they could offer through delivering actions, services, goods and initiatives			
2.2 We ensure early supplier involvement to gain a supplier perspective when shaping policies and programmes			
2.3 We carry out informal consultation on particular programmes and strategies, but ensure that nothing is done to give a supplier an advantage in later competition			
2.4 We have carried out a strategic analysis of how social enterprises/ voluntary / community organisations can help the organisation deliver its corporate objectives. A strategy for social enterprise has been produced			
2.5 An assessment of ways in which the procurement process could be used to achieve wider environmental and social benefits has been undertaken. Opportunities for joint working within the organisation and with other organisations have been identified and acted upon			

Good Practice	Action we have already taken	Action planned in the next 12 months	Key issues and other comments
Developing procurement strategy			
2.6 We consider the benefits of dividing contracts into smaller lots			
2.7 We give an early signal to the market that Voluntary/community/social enterprise involvement in the supply chain would be welcomed			
2.8 We give careful attention to the optimum length of contract			
2.9 All corporate procurement strategies include: <ul style="list-style-type: none"> • the relationship of procurement to the community plan, workforce issues, diversity and equality and sustainability; • how the organisation will encourage a diverse and competitive supply market, including small firms, social enterprises, ethnic minority businesses and voluntary and community sector suppliers. 			
2.10 There is a 'compact' with the voluntary and community sector and this has helped to shape our approach to procurement from the sector			

Good Practice	Action we have already taken	Action planned in the next 12 months	Key issues and other comments
3. Pre-Tender Phase			
Publishing contract opportunities			
3.1 We provide early notice of forthcoming procurements			
3.2 We publicise opportunities widely, especially on departments' procurement websites			
3.3 We encourage key suppliers to publicise opportunities for sub contracts			
Pre-qualification procedures			
3.4 We ensure that pre-qualification procedures are proportionate			
3.5 We request only 2 years accounts			
3.6 We choose evaluation criteria carefully to ensure they do not rule out small or inexperienced but otherwise competent Voluntary/community/ social enterprise organisations			
3.7 Financial regulations and other contract requirements have been reviewed and changed so as to reduce the barriers to social enterprises/ voluntary/ community organizations			
Drawing up the specification			
3.8 We focus on outputs/outcomes to maximize VFM and innovation			
3.9 We involve relevant stakeholders in drawing up specifications			
3.10 We underpin the drawing up of the specification by appropriate consultation with suppliers			
3.11 We are careful about assigning risk to those best placed to handle it			
3.12 We avoid jargon and paper overload			

Good Practice	Action we have already taken	Action planned in the next 12 months	Key issues and other comments
4. Tendering Phase			
Invitation to tender			
4.1 We ensure tender documentation is clear, concise and jargon free			
4.2 We base procurement on a sound business case, approved budget and stakeholder buy-in to avoid aborted or delayed procurement			
4.3 We offer training to potential suppliers, outside of any particular procurement, to enable them to improve tenders			
4.4 Our procurement processes for strategic partnerships include: <ul style="list-style-type: none"> • issuing an information memorandum to prospective bidders setting out the background to the project, the organisation's objectives and an outline procurement process and timetable, with roles and responsibilities made clear; • Inviting bidders to demonstrate their track record in achieving value for money through effective use of their supply chain, including the use of small firms, social enterprises, voluntary and community groups etc. – this continues to be examined as part of ongoing contract management 			
4.5 Invitations to tender/negotiate for partnerships include a requirement on bidders to submit optional, priced proposals for the delivery of specified community benefits which are relevant to the contract and add value to the community plan			

Good Practice	Action we have already taken	Action planned in the next 12 months	Key issues and other comments
<p>Contract and payment terms</p> <p>4.6 We are aware that some Voluntary/community/social enterprise organizations can have problems with working capital. We are prepared exceptionally to make advance payments, e.g. for start up costs, where the need has been demonstrated</p> <p>4.7 We consider the use of frequent milestone payments where appropriate</p> <p>4.8 We use contract terms which are proportionate to the scale and complexity of the contract – standard ones wherever possible</p> <p>4.9 We allocate risks to those best placed to deal with them</p>			
<p>Evaluation and clarification of tenders</p> <p>4.10 We explain the evaluation process to tenderers at the outset, including the criteria to be used and their relative importance</p> <p>4.11 We allow Voluntary/community/social enterprise organisations freedom to determine their own price in competition, including the inclusion of overheads and management fees</p> <p>4.12 Our tender panels have the right skills to assess compliance with additional contract criteria such as social, environmental and other community benefits</p>			

Good Practice	Action we have already taken	Action planned in the next 12 months	Key issues and other comments
Award of contract			
4.13 We let tenderers know that feedback can be provided			
4.14 We offer feedback that is as helpful as possible and designed to promote future improvement, including pointing social enterprises/ voluntary/ community organisations to sources of support			
5. Post Contract			
Contract management			
5.1 We seek supplier involvement in the design of contract management procedures and ensure they are proportionate			
5.2 We focus management reporting on measuring key outcomes			
5.3 We encourage and incentivise Voluntary/community/social enterprise organisations to make proposals for service improvement			
5.4 We review current contracts with prime suppliers to see if there is any scope for involving the Voluntary/community/social enterprise sectors			
5.5 We try to develop a good working partnership, avoiding undue escalation of problems			

Appendix 3: Sheffield Community Enterprise Development Unit (SCEDU)

SCEDU's Mission

SCEDU will continue to support the development of sustainable community and social enterprises as part of its commitment to creating successful neighbourhoods and communities.

SCEDU's Aims

- Supporting existing and emerging community and social enterprises
- Facilitating the development of the wider social economy
- Encouraging and developing the creation of successful neighbourhoods
- Reducing financial exclusion and increasing access to finance
- Increasing the engagement of communities with economic opportunity
- Supporting initiatives and partnerships that contribute to SCEDU's aims and objectives
- Committing to the development of its people and a positive environmental impact

SCEDU's Objectives

- Providing quality assured business support and incubation for community and social enterprises within accessible community locations
- Offering accessible finance for the development of community and social enterprises
- Developing training and workforce development within community and social enterprises
- Actively participating in the development of a coherent investment strategy for the social economy
- Supporting existing providers, partnerships and networks within the social economy
- Actively supporting a development agenda including mainstreaming existing services provided within the social economy
- Developing sustainable assets
- Encouraging and enabling the provision of quality childcare in neighbourhoods and communities