

## **Report from 7th Cross-Party Group on Social Enterprise in The Scottish Parliament meeting.**

**The theme of this meeting was the new Procurement Reform (Scotland) Bill. The report below summarises the main points of the discussion.**

**Tuesday 3 December 2013**

**Duncan Osler, procurement law specialist and Partner, MacRoberts LLP:** The reform of procurement is a huge issue. There will be a European level emphasis on social value from next year. This is the death of lowest price. The new Scottish Government Procurement Reform Bill reflects and pre-empts this new approach. All big public bodies must soon have a procurement strategy, what must be wired in to this is why public bodies get the money that they do to deliver services. All strategies must give social enterprises a chance, so that they can step up and do more. There will also be sub-contracting strategies which will have a big impact on social enterprises.

**Chic Brodie MSP:** At the recent Economy, Energy and Tourism Committee meeting we had a European discussion around procurement. We need to ensure benefits for social enterprises.

**Craig Sanderson, Chief Executive, Link Group Ltd:** Our activity as a housing association includes procuring for maintenance etc but we now also have an emphasis on local authority care service contracts. We have faced the problem of lowest cost being the priority and others winning as a result e.g. £8 an hour for a service vs £17 an hour. In another example a rival won a contract but said they didn't have the relevant permissions to deliver a service, 10 Link staff TUPEd across, then they asked Link to deliver it for 6 months, which we did, then this organisation cut staff. Our care and repair service did very well but we took the contract from another RSL who was doing a very good job, should we have done that? People should take more advantage of Freedom of Information (FOI) requests. We can find out about details of current services.

We have contracted out too. All maintenance is now done by a Link social enterprise. ACE Recycling is now delivering all our recycling, a great social enterprise. European rules are no excuse - Community Benefit Clauses *can* be used etc. Elected members pay too much attention to procurement officers. Generally the feedback given on our bids themselves is not good. We're pleased that the European emphasis is now not just on cost but value. Need to take notice of social value e.g. SROI reports. The size of contracts is an issue, we need smaller ones. Size and resources available to social enterprises is an issue. People need to remember that we're not sharing our profits with anyone - we're reinvesting it.

It's not all about the Procurement Reform Bill. It's also about the health and social care reforms and the Community Empowerment Bill, for example. Welfare reform is a big issue, particularly in terms of direct rent payments.

**Chic Brodie MSP:** The message is if you buy cheap then you buy dear. It's a false economy. The Living Wage is an issue too and is needed.

**Niall McShannon, Managing Director, Clydesdale Community Initiatives:** We are a small social enterprise and relatively young. We had a £10,000 turnover in 2008 and this is now £400,000. We're essentially a landscaping company, with a community and environmental remit, tree planting etc. My own background is social work. Our mission is supporting those with support needs and helping them to contribute, those with learning difficulties and mental health needs, to improve health and independence. When we win a contract it helps our clients make a contribution. It's about inclusion and employability. We're an ambitious company that can compete on service and cost, not asking for special treatment. Best service and making profit wherever possible. We now have a professional landscaper too.

The procurement process is a desert. We can't sometimes get on to tender lists due to size and capacity. In a couple of years we will be bigger. A big issue is perceptions of social enterprise - anything with the word "community" in the title means a certain perception about the type of business. We are yet to be the beneficiary of Community Benefit Clauses. We now have funding to refurbish a derelict farm into a specialist centre. We have won contracts but virtually none with public bodies. We have had a Central Scotland Forest Trust contract. They were sceptical that we could achieve the costs wanted. Health, social care and employability organisations, the contracts didn't fit our model around size, generic and too rigid. We know our outcomes are exceptional but contracts do not reflect this.

**Dave Park, CVS Falkirk and District:** We should advocate the Public-Social Partnership (PSP) model too. At the centre of the process must be service user involvement. Craig, what's your experience?

**Craig Sanderson:** North Lanarkshire was first PSP. People who didn't get work not as happy as those who did. How can competitors get into a room and work together and accept that service users come first? Part of the European policy change is about commissioners consulting views of service users - but there isn't enough. This must actually be enforced like self-directed support competitive tendering doesn't dovetail with this.

**Duncan Osler:** It's a lot about impact measurement, demonstrating impact with e.g. SROI, not just cost.

**Andrew Johnston, St Judes Laundry:** The new European policy and reserve contracts. Good to hear Niall's experience on this. Criteria that defines "supported workers" reduced which is good. Definition can now include anyone who is disadvantaged, not just those with disabilities, for example.

**Duncan Osler:** England and NHS mutuals reform. The danger is that Europe sees social enterprise as only this type of model. MEPs seem to understand the issues around strategic procurement etc and equal opportunities but it can't just be about money.

**David Henderson, SEAM:** In the new annual procurement strategies to be produced by the big public agencies, will there be a requirement to publish details of all social enterprise contracts? The Scottish Government will also issue guidance on strategy writing.

**Andrew Johnston, St Judes Laundry:** Recent local authority meetings - all of them support national procurement programme and reserved contracts etc. but they have commissioned zero social enterprise contracts over the past few years.

**Duncan Osler:** If strategies are written properly there will be accountability. People will ask questions. But how exactly? Guidance needs to be clear.

**Craig Sanderson:** Five or six years ago we had the McClelland Report but the issues are still there. SROI and impact measurement is important - but don't confuse impact measurement with "payment by results" and Social Impact Bonds (SIBs). The UK government are talking about the Peterborough Prison pilot SIB and rolling this out - without any evidence. We need to resist that approach in Scotland.

**Duncan Osler:** We need to ensure we're constantly influencing MSPs in the process.

**David Henderson, SEAM:** It can't just be about tokenistic consultation.

**Craig Sanderson:** Keep lobbying MSPs and respond to consultations. Housing associations not thinking enough about policy, self-directed support and community empowerment etc.

**Duncan Osler:** Housing angle and service users. We need to explain to decision-makers about our social impact etc.

**Craig Sanderson:** Lots of representative bodies, the SFHA, CCPS campaigning on these issues, is there a niche for social enterprises?

**Duncan Osler:** We need to explain clearly to commissioners exactly why social enterprise simply makes sense.

**Fraser Kelly, Social Enterprise Scotland:** Service users have different roles in different spheres, there's a cross-fertilisation of roles. What the service user needs is the central issue - not simply about delivering services to people any more.

**Lesley McAleenan, Community Resources Network Scotland:** The Scottish Government homelessness budget - there's a dedicated service user officer. [Update: Stephanie Plotnikoff, based at Glasgow Homelessness Network deals specifically with service user involvement].

**Duncan Osler:** Scottish Government Opening up Public Sector Markets to the Enterprising Third Sector contract that is being delivered by "Ready for Business" and is another route into this process.

**Jennifer Robertson, CVS Falkirk:** The role of procurement officers. About 59% of these officers have little or no knowledge of social enterprise. Yes we need to be tender-ready but it's a two-way street. We need to educate procurement officers about social enterprise and Community Benefit Clauses.

**Andrew Johnston, St Judes Laundry:** That's an incredible statistic. We find this too, there is little awareness.

**Duncan Osler:** Clearly this is a big issue, noted and worth considering how we solve it.

**Craig Sanderson:** More Public-Social Partnerships (PSPs) in Glasgow and Edinburgh now, worth finding out about. The "single point of enquiry aspect". Pauline at Social Firms Scotland will know more about this area.