



Improvement

Stimulating new markets – commissioning social enterprises

Report for the National Programme
for Third Sector Commissioning

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1. Introduction

The National Programme for Third Sector Commissioning aims to achieve:

- increased awareness and understanding of the value of third sector commissioning
- more third sector involvement throughout the commissioning cycle
- improved bidding practice from third sector organisations.

This report presents the first stage of the Social Enterprise Coalition's contribution research into stimulating new markets and using the power of commissioning to stimulate the social enterprise sector and new social enterprise models of delivery.

It is based on four in-depth case studies that demonstrate how commissioning has been used to develop new social enterprise markets. They aim to provide practical advice to support commissioners to establish new social enterprises and new innovative service lines. This report also includes a discussion of key issues; situations where social enterprise may be particularly appropriate and simple actions that commissioners can take to support further social enterprise development.

2. Context: social enterprise and public services

Social enterprises are businesses driven by social or environmental purpose. They are an ever-increasing movement in the UK with the most recent estimates by the Government suggesting there are 62,000 social enterprises with employees in the UK, contributing more than £24 billion to the UK economy. The businesses range from local and community-based organisations to national, and even international, multi-million pound enterprises. They operate across a very wide range of sectors from primary and community care to renewable energy, housing and retail.



Social enterprises work in a range of public service markets from housing and leisure, to recycling and health and social care. They enable communities to take a more active role in shaping their local environments, developing people-led services, creating employment, and embedding skills and wealth at a local level. They have been identified as having huge potential to respond to some of the most entrenched social and environmental issues facing our communities today.

Recent years have seen increased recognition of the role social enterprises can play in delivering public services. This has been set out in a number of policy commitments that recognise the important and growing contribution that social enterprises make to the future of sectors including health and social care, recycling and offender management.

Most recently social enterprise has become synonymous with the 'Big Society Vision', both as a mechanism for more accountable and participatory public services that harness and capitalise the power of citizens and staff and also as a means by which to generate increased value for money and do more with less.

There is much that social enterprise offers public service delivery but recently it has increasingly been seen as a way in which commissioners can respond when they need a 'new' form of solution to an unmet need,

and a way in which commissioners can 'create' or 'stimulate' the market to address this need.

This requires commissioners to understand current and future market and provider requirements and to use their investment power to influence improvement, choice and service design through new or existing providers. This includes encouraging provision via third sector organisations and where adequate provider choice does not exist, developing new organisations that are able to respond. The social enterprise model has been identified as the most appropriate organisational form for responding to such areas of 'market failure'.

There have been recent examples of this form of commissioning, meeting a need that is currently not been met by a single, statutory, private or third sector provider but so far this form of commissioning is under investigated and under used.

This paper sets out some examples of where this form of commissioning has been used to stimulate social enterprise solutions.



3. Methodology

The initial research was based on a combination of desk research of literature on commissioning social enterprises and in-depth interviews with social enterprises and their commissioners.

Stage 1: Identifying case studies

Between September and November 2009 the Social Enterprise Coalition sought out case studies that met the project brief: 'stimulating social enterprise providers through creative commissioning processes'.

The primary criteria was examples where commissioners had taken new and innovative approaches to develop social enterprise solutions.

The secondary criteria involved one or a combination of:

- cross-agency working
- service user involvement
- capacity-building
- innovation.

Stage 2: Initial interviews to create final sample

Lots of possible case studies were identified and initial interviews were conducted to determine which were included in the final sample.

The final sample of four was chosen based on the following criteria:

- replicability
- demonstrated impact and value for money (ideally social return on investment, SROI)
- breadth of public services
- multiple agencies and partners
- a good range in scale of operations.

Stage 3: Indepth interviews

In-depth interviews were carried out with both the commissioner and the social enterprise in these case studies, supplemented by independent evaluations and reviews.

The interviews covered areas such as the background to the commissioning process; how need was identified; why the social enterprise was chosen; how this was gauged against other approaches; how the approach was justified commercially and funding.

4. Case studies

4.1 Unlimited Potential – health trainers

Background

The commissioning of Unlimited Potential – a small community-based social enterprise in Salford, demonstrates how commissioners can foster innovative services, join up commissioning and build the capacity of social enterprises in their community.

Health Trainers is a service that was first introduced for England in the Department of Health (DH) 2004 White Paper Choosing health, 2004. The aim of the Health Trainer service is to use people from the local community to empower others to make and maintain healthy lifestyle choices. It involves supporting behaviour change through the provision of a ‘buddy’ or ‘health trainer’. As a spearhead Primary Care Trust (PCT) – Salford PCT was offered the opportunity to become one of the second phase sites for DH funding to introduce a Health Trainer programme.

Salford PCT had already developed a good and trusting relationship with Unlimited Potential. They recognised that the social enterprise’s strong connections with the community would be vital if such a service was to be a success. They were also keen to embark on a different form of commissioning – one that was based on outcomes, which provided greater social value and moved away from medical treatment towards

prevention. The PCT recognised that a social enterprise could be an excellent delivery vehicle for such an approach.

The service

The Health Trainer service connects local residents with complex lives with caring individuals outside the formal health care structure who are able to motivate them and help them make positive changes to their lives and improve their health and well-being. It uses primarily local people with local knowledge who have the life skills and social expertise to empathise, connect and engage. They offer practical advice and connections and referrals to local services and support.

The process

Part of the success of the process was due to strong and trusting relationships between the PCT and Unlimited Potential. As the service was relatively small the PCT was able to justify not going to open tender but engaging in such a new form of commissioning did require them to take a new approach. The PCT played more of a role as capacity-builder than they would have through a standard commissioning process. It also required a different approach to risk management, as Unlimited Potential had not been commissioned to deliver health services before. Because of this the PCT and Unlimited Potential decided to take a ‘risk sharing’ and staggered ‘gradual handover’ approach to the service, which also demonstrated how commissioning could be used to build the capacity of a local social enterprise.

The whole commissioning process took place in partnership between Unlimited Potential and the Health Improvement Team of the PCT developing and designing the service jointly. They also drew on additional expertise from Salford City Council, Salford Community Leisure, the Director of Public Health and the University of Salford.

To further manage the risk it was decided that the PCT would initially employ the Health Trainers as Unlimited Potential at the time had only a very small staff team and lacked the official systems that the PCT procurement processes required as standard, such as Picasso, Matrix and other accreditations and quality standards. Because the PCT took on the role of employer all staff were able to access the appropriate support and protection as health professionals while Unlimited Potential built its capacity in this area. The training of the Health Trainers was carried out jointly by the PCT and Unlimited Potential, with the overall management of the service being led by Unlimited Potential.

A further risk management measure was introduced in the form of quarterly performance monitoring meetings and supervision appraisals to ensure that the service remained accountable.

The PCT recognised that a top-down prescriptive approach would not be appropriate. They therefore chose to use the model contract featured in the Department of Health's *No Excuses* document. This aims to promote a sound commercial relationship between commissioners of health and social care services and the third sector as providers, and help remove barriers to entry for all potential providers of health and social care, it supports more outcomes based reporting. Both parties invested time in determining what the outcomes should be,

while allowing the flexibility and scope for the service to evolve and for the health trainers themselves to have a say in how it should be delivered and to be more responsive to client demands and needs. If you want innovation and a different approach you cannot be too prescriptive.

In order to monitor such a flexible approach the PCT made it a requirement to tell stories as a part of the monitoring, the impact of which cannot be underestimated. Two stories are provided per trainer per quarter which set out the emotional support elements of the service and the range of multiple outcomes that would be missed by any key performance indicators.

Joined-up commissioning

Although the principal objective of the services was to address health inequalities it was clear that Unlimited Potential created additional value by supporting some of the clients to move towards employability. As a result the Economic Development Team of Salford City Council with responsibility for reducing unemployment and building skills also became interested in commissioning the service.

They had identified a gap in their outreach and first step services. These had previously been provided by large employment providers, but although these companies were good at supporting those closest to the labour market, they were not reaching people with more complex needs and they lacked the local knowledge to engage in successful outreach.

At the same time the Economic Development Team observed that the Health Trainers were referring people to their advice and support services who would not have otherwise attended. It became clear that the outcomes the PCT was aiming for were the same as

those of the Economic Development Team to motivate people make positive changes to their lives be it improvements in their health and well-being for the PCT or the first steps to employment for the Economic Development Team. They therefore decided to co-commission the service with the PCT.

The contract

Given the staggered approach taken to the commissioning of this service there have been a number of different contracts held. Initially the contract was for one year between the PCT and Unlimited Potential. Following this when the terms changed and the employment of the Health Trainers was transferred to Unlimited Potential 2 year two separate contracts were signed with the PCT and the city council. However, this has now become a single contract between the PCT and Unlimited Potential with the PCT acting on behalf of the council.

Impact

Measuring the impact of this form of service is difficult because it is designed to bring about behaviour change, which is difficult to count and measure in key performance indicator (KPI) terms.

However, the service has been successfully evaluated: 50 per cent of clients achieve all the goals in their personal action plans at sign-off and 70 per cent of clients having achieved one or more goals in their personal action plans at sign-off.

Conclusion

This case study demonstrates how commissioning can be used to build the capacity of existing organisations that have the potential to deliver outstanding and cost-effective services rooted in the communities they serve but may not be able to meet the requirements of a standard tender process. In many public service areas local knowledge



and connections are absolutely key to developing successful interventions. If these are to be successfully harness – flexible commissioning that is able to be flexible and adaptable is required.

4.2 Sandwell Community Caring Trust

The commissioning of Torbay's in-house adult social care illustrates how user-led commissioning can support and foster new social enterprise solutions.

Background

Torbay on the south coast of Devon faces the health and social care challenges common in many seaside resorts and an increasingly ageing population.

In 2008 Torbay Care Trust recognised that some areas within their in-house adult

social care services required considerable modernising and investment if they were to continue to meet the needs of the population into the future.

The service

The adult social care services that Torbay were looking to commission included running the St Kilda Community Support Centre – a registered care home; the St Kilda's Day Centre which provides a large choice of therapeutic and social activities; providing domiciliary care including a wide range of high-quality home support services covering all aspects of personal care; and support living services to enable individuals who are unable to live completely independently, to live in their own homes.

These services were very highly regarded by Torbay's highly active population of volunteers, carers and community members so there was considerable sensitivity around introducing any changes to the way

in which these services were delivered. Torbay Care Trust therefore decided that any modernisation of the services would have to be led by the service users, communities and carers.

The process

The first step for Torbay Care Trust took as part of its user led commissioning was a visioning exercise. This involved them talking to people who used and were supported by the services as well as those involved in delivering them and involving them in imagining the what these service might look like in an ideal world. This process identified some aspirational elements to support the modernisation of services for both older people and adults with learning difficulties.

On the basis of this engagement Torbay Care Trust recognised that it needed a partner that could deliver the services to a high standard, retain the best elements of the existing service, foster the high levels of community support while bringing about the changes necessary to revitalise the service and as many of the aspirations of the community as possible.

Once this exercise had shaped the commissioning service specification the second stage of the process was to work up a tender process that was able to capture these factors. The tender needed to include willingness to renovate the site, invest in employees, the ability to evidence training, motivation and better outcomes and also the ability to meet the desires of the community including better weekend and day care. Price only accounted for 30 per cent of the value of the contract.

At the long-list stage of the tendering process nearly 50 representatives of the community attended presentations given by the candidate organisations. They were able



to ask questions on use of profits, staffing, training and outcomes.

The Care Trust was then able to take the recommendations from the community to ensure they were factored into the decision making process for the organisations making the shortlist.

At the shortlist stage once again the evaluation panel also included a representative from the community, and a service user. Price remained accountable for only 30 per cent of the points with emphasis also placed on recruitment, staff training, and outcomes.

On the basis of this form of specification Sandwell Community Caring Trust (SCCT) – a social enterprise was clearly identified by the group as best meeting the objectives of the community and Care Trust with regard to vision, outcomes, staff training and empowerment, use of surplus, transparency and service innovation from the front line.

The Care Trust did experience some resistance. There was a perception that this form of commissioning and procurement take a lot of time but this turned out not to be true. There was also some resistance from the staff to be being what is technically 'outsourced'. This was addressed by involving some of the staff in engaging and challenging the potential providers. The original visioning exercise and transparency of the process were also hugely beneficial in justifying the decisions made.

The contract

The contract between Torbay Care Trust and SCCT is for five years with the option for a two year extension. The length of the contract recognises the investment that SCCT will be making in the service over the five year period, and is designed to commensurate with the investment required.

Impact

Two years since the commissioning took place the staff team is motivated; there are new and improved terms and conditions; staff feel better supported; there are flexible shifts and therefore better weekend services which was one of the key demands of the community.

The commissioner reported that the process allowed for constructive challenge which is very positive, and it is often SCCT driving things forward and improving services well beyond what is simply stipulated in the terms of the contract. Further, the process promoted a greater degree of transparency, trust and openness between the commissioning organisation and the provider, this has resulted in open and communication and the efficient resolution of any challenges.

Conclusion

The Trust chose this form of commissioning because they recognised that more than a new provider was required. They were looking for a culture change, for trust to be maintained with community and for the relationships to be nurtured.

Investing in this form of collaborative commissioning and procurement process levels the playing field and takes account of the comparative advantage that social enterprises have in developing strong relationships with service users, reinvesting profits, and developing staff.

4.3 Safeguard It

The commissioning of 'Safeguard It' demonstrates how partnerships between public agencies and social enterprise can support the delivery of wider social outcomes, community-based delivery and

cost-effective solutions in almost all public service areas.

Background

In 2006 the Department of Communities and Local Government and the Fire Rescue Service committed funding to increase the Fire and Rescue Services work preventing fires. Fire and Rescue Services were invited to bid for funding to run innovative partnership programmes.

Tameside Borough of the Greater Manchester Fire and Rescue Service were therefore looking to develop an innovative model to deliver fire safety checks in vulnerable homes. There are 90,000 homes in Tameside and with 2000 exchanging hands each year there is a continual need for fire safety assessments that are beyond the capacity of the Fire Service alone.

As fire safety is only one part of the fire professional's role, Tameside felt that it could be more effectively and efficiently delivered by non-professional fire service personnel who had been specially trained. They also recognised that the fire and rescue services have traditionally had some difficulty in reaching the full breadth of the communities they serve, particularly with regard to more marginalised homes that were often the highest risk. They believed that a locally based social enterprise employing local people could help address this.

Tameside Borough Fire Service already had a good relationship with the St Peter's Partnerships, a social enterprise based in Tameside through a programme of enterprise creation they had been involved in. This relationship proved to be a catalyst for Greater Manchester Fire and Rescue and St Peter's Partnerships to jointly establish a new social enterprise called 'Safeguard It' to address fire safety at a more local community level.

They were looking for a model that could also access and develop new complimentary business opportunities, including commercial fire safety assessments, which would increase value for money and the financial viability of the initiative. They were also attracted by the possibility of using this initiative to invest in the local community, build community cohesion and social networks and also create employment opportunities in areas of high deprivation. They soon realised that social enterprise was the only delivery model that could achieve this combination of outcomes.

The process

Embarking on such a new initiative as this did require risk assessment and management. There was some initial internal resistance. Social enterprise was a new development for the fire service, and there was some uncertainty about what they were trying to achieve.

Furthermore, the Fire Services internal commissioning and procurement processes were designed for large-scale equipment and contracts, so the agility of the organisation was tested in commissioning at this local scale.

The fire service used the governance of 'Safeguard It' to manage some of these risks. The officer responsible for this initiative at Tameside Borough Fire Service, is one of three directors of Safeguard It and this relationship is stipulated in the contract. Similarly representatives from the St Peters Partnerships which is a local more established social enterprise also have director roles. This also allows Safeguard It to benefit from their experience of running a social enterprise.

They also established a performance management framework and project

definition document reported against bimonthly to manage risk in the early stages.

There were other challenges commercially - the scale of the contract meant that the fire services did have to justify not going out to open tender. However, the fire service were able given this was ring-fenced money for innovation, putting it out to tender could limit the innovation of this community-based.

The payment structure has also been designed to manage risk and be flexible to the needs of Safeguard It. The fire service traditionally pays its contractors in arrears, however in this pump priming was required to create the infrastructure and establish the delivery model as Safeguard It was a completely new social enterprise delivery vehicle. Managing this cash flow required a different procurement approach and more flexibility following financial protocols, while remaining committed to the general procurement principles.

Finally, the fire service has a very strong and well-respected brand and allowing external organisations, social enterprise or otherwise, to deliver services on their behalf holds the risk of damaging this brand. To address this they were very active in providing training that upheld their quality and integrity.

Tameside Borough Fire Service believes that the quality of the service being provided by Safeguard It has surpassed all expectations.

The contract

At present there is a three-year Service Level Agreement between Safeguard It and the Manchester Fire and Rescue Service

The impact

Safeguard It has had considerable impact. Its aim on establishment was to deliver 3200 home safety checks per year but now it is in a position to deliver over 4500 per year.

The key performance indicator is a considerable reduction in accidental fires. In the first year the fire service saw a 41 per cent reduction in accidental fires in the ward of St Peters and this has been maintained in following years. Previously it had 25 accidental fires per year resulting in injuries and 1-2 fatalities; this is now down to 10-15 accidental fires.

The secondary key performance indicators are based on the economic contribution of Safeguard It to Tameside and its ability to build community cohesion. Safeguard It currently employs nine previously unemployed people from the local community and has provided them with training and skills.

It has also contributed to community cohesion in the area, although this is harder to measure and is based on anecdotal evidence and customer satisfaction surveys that have had 98 per cent positive results. The Safeguard It team see a lot of people, many of whom have complex problems as well as being high risk for fires. The introduction that a fire safety check offers provides the opportunity to refer to other services too.

Safeguard It has played an important role in enhancing brand reputation in the locality as local people become advocates for the fire service.

The future

There are plans to roll out Safeguard It across Greater Manchester. The Greater Manchester Fire Service delivers 40,000 home safety checks each year and plans are for Safeguard It to deliver 20,000 of these. There is a continual need for safety checks with over a million homes and 20,000 changing occupancy each year.

The central government ring-fenced funding has now come to an end but the

elected officials of Greater Manchester Fire Authority's governing body are committed to continue funding for innovation and partnership working.

4.4 Open Door

Background

The commissioning of Open Door in Grimsby in North East Lincolnshire demonstrates how in certain circumstances a market solution simply doesn't exist and commissioning the creation of a social enterprise can be a highly successful solution to complex challenges.

Open Door was established in 2007 with the stated objectives of improving health, reducing inequalities and tackling the determinants of health, such as homelessness or inappropriate housing, unemployment, addictions.

By doing so, Open Door aims to bring vulnerable people closer to mainstream society. It aims to accompany and support clients on a journey from apathy to empowerment. Open Door also aims to act as a hub for regenerating the area.

The commissioning of Open Door came about from the recognition by the Grimsby Care Trust that approximately 1,000 vulnerable people 'did not, would not and could not access traditional general practice services'. These include homeless people, problematic drug-users, offenders, commercial sex workers, refugees and most recently adults with autistic spectrum disorder (ASD). They realised that little was being done to actively improve these people's health and wellbeing and that their only contact with health and care services was in accident and emergency – at considerable cost to the Care Trust.

Open Door's first principle is to accept anyone that needs help, and in particular those who would not otherwise get support. Their main target group consists of vulnerable people who face multiple barriers to enjoying mainstream healthcare: drug addiction, alcohol, homelessness, immigration status.

The service

Open Door takes a holistic approach to service delivery. If someone comes in with asthma, the Open Door team recognise that this might be as much a housing issue as it is a health issue, which is a very different approach from a standard GP.

Alongside GP services, they provide a diverse range of therapeutic sessions including Reiki, reflexology, massage, acupuncture and Emotional Freedom Technique, according to service users' needs. They offer counselling sessions as they find therapy works very well with people who have chaotic lives or who suffer from anger management problems, and overall with people who have very low self-esteem. In addition to this they also have a part-time psychiatrist on site stemming from the realisation that patients were rarely turning up to their psychiatric appointments at the hospital but were more than happy attending Open Door.

In addition to these broad health related services they also provide drop-in room for agencies such as Citizens Advice Bureau (housing, benefits, immigration), the dentist and hygienist and the homeless team. All these agencies have a slot on different days. People who come to the surgery can then come to the social care building to get their housing benefits or employment benefits sorted out. They also have access to the internet, space to simply chat with support workers and other service users.

College classes also take place at Open Door with the local college paying Open Door to support people who were previously banned from the college or are too intimidated by it. They provide classes up to Entry level 3 from basic literacy and numeracy skills to child protection courses.

Finally Open Door's unique role in the local community has enabled strong relationships to develop with many local stakeholders. The local Accident and Emergency Department automatically refer anyone without a GP to Open Door, and the police work with them to support prolific and priority offenders. A unique relationship of trust has also been formed with Abbey Santander Bank who provides business banking services to Open Door and also creates accounts for its clients, irrespective of their criminal or social past.

The process

From the outset of this commissioning journey there was a strong commitment to social enterprise as the Director of Clinical Services at the Care Trust was familiar with that approach.

He felt that a social enterprise model offered a more flexible and responsive approach and was less tied to processes and bureaucracy. Given the complexity of the client groups it was felt that this important. It was also recognised that unless Open Door provided a full range of wellbeing services it could not achieve its ultimate health objective but that providing this breadth of service would be difficult for any statutory provider.

As health is a part b service under EU procurement rules there was little pressure to go to open tender but there was a need for fair and transparent processes as the Care Trust has responsibility for services governed by both the local authority and the Department of Health. As a result they

used market testing to help them decide whether to establish a social enterprise. This recognised that there was no existing provider that could combine social care, with primary care and psychiatric services as well as other wellbeing services to meet the needs they had identified.

The Director of Clinical Services at the Care Trust then developed a business plan to demonstrate how Open Door would become viable. This recognised that pump priming was required: starting a medical surgery from scratch is expensive as the costs required for 15 service users are the same as for 15,000 – cost per case takes time to reduce. Fortunately at the time the Department of Health was funding a Pathfinder programme for social enterprise and Open Door qualified for funding, they were also fortunate to receive some Neighbourhood Renewal Funding.

Managing the risk associated was a concern to the Care Trust, however, they felt it was a far greater concern to leave these people with no access to health care services. Their risk management mechanisms included making the Director of Clinical Services at the Care Trust Plus a director of Open Door and ensuring the contracts required high-quality governance and clinical practice standards. One of the most important steps they took to managing risk was to have Open Door be supported by an existing well-established social enterprise – the Big Life Group. This enabled Open Door to benefit from the Big Life Group's financial, HR and marketing expertise, significantly reducing the risk of failure.

The contract

Open Door now has two contracts at a total value of £400,000 with the Care Trust: one is a Personal Medical Services (PMS) contract for the medical element; the other is



a social care contract for the broader service package. The PMS contract subsidises some of the wider services such as housing and finance support.

Impact

Open Door now has 850 patients registered, leading to a 20,000 footfall per year. It has dramatically improved the lives of vulnerable and marginalised groups, and there are hundreds of cases where they have transformed the lives of the people they serve. So much so that in 2009 it won the NHS Institute for Innovation and Improvement award for improving health inequalities.

However the impact has gone far beyond health. Eastmarsh (where Open Door is based) is in the UK's worst 10 wards for reported crime with violent attack rates at twice the national average. However, since Open Door was established crime in the Eastmarsh has fallen by a quarter. The local

police force places a large amount of the credit for this fall down to the establishment of Open Door.

Open Door has also undergone Social Return on Investment Study on the impact of its services on adults with ASD that calculates for every £1.00 invested in Open Door a further there is social value in the range of £4.98 to £10.00 created.

Conclusion

The commissioning of Open Door demonstrates how when tackling what may appear to be the most entrenched social problems, and when attempting to reach what may appear to be the most marginalised of groups' social enterprise can provide person centred, flexible and joined up solutions.



5. Key issues when stimulating the market with social enterprises

5.1 Risk management and the transfer of risk

Risk management is a key feature of establishing or commissioning social enterprise solutions. Standard commissioning and procurement processes often manage risk through checking experience, trading and history, making financial stipulations and imposing other regulatory standards and stringent monitoring requirements.

Supporting social enterprise provider development requires a very different approach to risk. They often will not have the required trading history, or financial stipulations and, on occasion, over-monitoring can stifle the innovation and flexibility they require, particularly in their early stages.

The case studies in this report took different approaches to risk, but were risk aware rather than risk averse.

Open Door and Safeguard It both chose to place a director from the commissioning body on the board of the social enterprise. This can be a very effective means of managing risk, particularly when the director is a supporter of the social enterprise and has been instrumental in getting it set up. They both also recognised while a new social enterprise was the ideal delivery vehicle, ensuring this had strong connections with an existing social enterprise was also important.

The commissioners of Unlimited Potential took a staggered approach to their management of the service, with the PCT initially employing the Health Trainers seconding them to Unlimited Potential and after a time when Unlimited Potential had increased its capacity transferring their employment over.

Good relationships are also essential in managing risk. Face-to-face meetings to discuss progress on a regular basis in the early stages, rather than written monitoring reports, can play an important role in building trust between the two organisations and in better understanding the challenges faced.

5.2 Commercial justification

Justifying the decision not to go out to public tender or to adopt an alternative tendering process can often seem like the largest barrier preventing the development of social enterprise solutions. The pressure on commissioners to take a purely commercial approach often outweighs the ability to invest in new, innovative social enterprise solutions.

The case studies in this report again took different approaches to justifying their commissioning.

North East Lincolnshire CT undertook market testing to assure that no suitable market solution already existed that could deliver

the type and breadth of service required. Similarly, Salford PCT were able to justify their approach on the basis of the size of the intervention. Manchester Fire Service, Salford PCT and Salford City Council all recognised that connections with the community were essential if their services were to be a success and going out to open tender may prevent local community based knowledge from being factored in to the degree that they felt was required.

Torbay Care Trust however, chose to use a commercial tendering process, but adapt it to take greater account of factors other than price and track record, including weighting it for service user involvement, investment in staff development and the reinvestment of profits.

5.3 Innovation funds and investing to save

What was clear from several of the case studies was the need for initial investment capital upfront to pump prime the development of the organisation. Open Door and Safeguard It used central government funding to support the initial pump priming. Similarly, in the case of Unlimited Potential it was the availability of central government funding for health trainers services that allowed such an innovative service to be developed.

Funding is still available under initiatives such as the Social Enterprise Investment Fund to support this form of development although it is unclear how long such initiatives will continue. In future the Big Society Bank could be the perfect initiative to fund such developments.

5.4 Appropriate key performance indicators

A key trend emerging from the research was the need to develop flexible key performance indicators, particularly for social enterprises that deliver new and innovative services. Their services and outcomes may not always fit neatly into standard key performance targets.

In the case of Unlimited Potential detailed case studies were a key part of the performance framework. These proved essential in measuring impact that may not be reflected through key performance indicators (KPIs) such as increased confidence and increased mobility and without the case studies this vital information could have been missed.

Safeguard It combined hard data – number of accidental fires – with softer information on factors such as customer satisfaction, which is essential when issues such as brand identity are at play.

The right KPIs are essential to the long-term sustainability of the services, particularly when it comes to innovative services that meet the needs of vulnerable people.

Open Door has two contracts: one is a standard PMS contract based on footfall (ie number of patients seen); the other is a social care contract services such as Drug and Alcohol Treatment. Open Door performs well on both contracts, but neither they nor the KPIs within them take account of all the additional services that Open Door offers to the vulnerable people they serve. These include citizen advice services, housing support, art therapy, literacy and numeracy and many more, and without them the service would be far less effective.

5.5 Trust/open dialogue

A common factor throughout the research was the quality of well-established relationships between the social enterprises, their partners and the commissioning body. This trust was identified in all cases as key to the success of the enterprise.

A number of the social enterprises – or partners within the social enterprises – had mature and trusting relationships with their commissioners even before they were commissioned. This is particularly important with regard to managing risk and investing in new solutions.



6. Situations when social enterprise solution may be appropriate

There are few areas of public service where social enterprises are not already operating. From recycling to adult social care, probation and fire safety – social enterprise solutions can be seen. However, when it comes to investing in the creation of new social enterprises or developing new social enterprise solutions our research suggests that there are certain criteria and patterns for the rational behind this form of commissioning.

6.1 Joining up services and accessing alternative market opportunities

One of the motivations for establishing or commissioning a social enterprise can be to better join up different public service silos and the ability to access alternative markets.

Safeguarding It was established partly on the basis that as a social enterprise it could benefit from generating additional income from other markets outside public services. In the case of Safeguard It this was commercial fire safety assessments. If the fire and rescue service had continued to deliver this service in house, diversifying into other markets would not have been possible and the income this generated would not have been reinvested into further delivering their social mission.

Similarly, another reason for establishing a

social enterprise is their ability to work across public service silos. Both Open Door and Unlimited Potential deliver services that have multiple outcomes across different public service areas. Unlimited Potential is co-commissioned by the PCT and Salford City Council while Open Door is commissioned by the Care Trust but provides a range of services that extend far beyond the Care Trust's remit.

6.2 Connecting with service users

Many public services greatly benefit from services that can really connect with customers, service users, patients and communities.

The social enterprises in this research were all able to demonstrate their strength at connecting with service users, client groups and community members. Both the commissioners and social enterprise leaders that took part in this research recognised that much of this stemmed from being a social enterprise. From Unlimited Potential's outreach work to Sandwell Community Caring Trust's ability to win over and build the support of an active set of community members, carers and service users, social enterprises demonstrate great skill in increasing participation and engagement. This can ultimately deliver better designed and better value services that connect with the communities they intend to serve.

6.4 Areas where additional investment is required

Being independent, social enterprises often attract extra finance to reinvest in a service from a range of sources but it is important to note that there is increasing competition for this funding.

Depending on its legal form, social enterprises can access investment from a range of social funders including charitable trusts such as the Big Lottery Fund, public investment funds such as Futurebuilders or the Social Enterprise Investment Fund.

Sandwell Community Caring Trust were able to draw investment now, that can be repaid over future years for essential maintenance and upgrading of facilities. Similarly Open Door drew on Department of Health Pathfinder funding to invest in a new social enterprise.

It is essential, however, that this is not the primary motivation for establishing a social enterprise. Taking on a liability it is unable to repay is a high-risk strategy. Repaying this investment if it is a loan must be accurately priced and the contract must be long enough to account for this.

6.5 Re-engaging staff

Social enterprises place great value on the engagement and empowerment of staff. This includes involving staff in the decision-making process and in designing services, and giving managers the autonomy to make decisions on a day-to-day basis.

It is impossible to over-estimate the impact of an engaged and empowered staff team on the quality and efficiency of a public service. As Sandwell Community Caring

Trust demonstrated, social enterprises can often generate extra value for money by re-engaging and empowering staff. This can generate considerable financial savings that come with reduced absenteeism, lower turnover rates and better services and the associated better outcomes and higher continuity of care.

How social enterprises empower staff varies according to the size and culture of the organisation. Engaging with employees, either as members or owners of the organisation, is common for example through the election of representatives to the board of directors, staff or stakeholder councils and clinical governance committees.

Some social enterprises choose to reward low absentee rates or develop other reward systems based on outcomes – it is considerably easier to do this outside the public sector.

Social enterprises recognise that a more motivated and empowered staff team results in a better, higher quality and more cost-effective service.

6.3 Flexibility and responsiveness

The case studies in this research and many others demonstrate the flexible nature of social enterprises operating in the public services field. The motivation to establish a social enterprise is usually a desire to improve services. Central to this is a constant process of innovation and improvement to both the range of services and their design and delivery.

The speed at which social enterprises can make decisions and bring about change is key, and their governance arrangements

and legal structures are often designed specifically to allow them to be responsive and flexible, while maintaining strong levels of accountability to staff, patients, service users and the community.

Further, being outside any single public service body can allow social enterprises to develop services, that address the needs of an individual or the community in a much more innovative, holistic or joined-up way, giving them greater flexibility in how they can develop and deliver services to address the wider determinates of health. Open Door is an outstanding example of a social enterprise joining up services as is Unlimited potential – meeting both health and economic development needs.



7. Actions to stimulate new markets within commissioning processes

Public bodies can support new social enterprise solutions in several ways. Not all of these will be relevant to all public bodies, but what should be clear from this paper is that increased collaboration, dialogue and partnership working with social enterprises can help deliver some of their most strategic objectives.

7.1 Identifying social enterprises

The first step is to find out about social enterprises that operate locally and what is already happening in your area.

Local social enterprise networks and regional/national social enterprise organisations are good sources of information on social enterprises that operate in your area – some may even already be delivering public services.

Where you have identified social enterprises that can fulfil a need, find out whether or not they are already on your approved suppliers list. If they are not, contact them, explain the benefits and invite them to apply.

Make sure your supplier approval process is friendly to new suppliers.

7.2 Building a social enterprise supply base

At its simplest, engaging with social enterprises and letting them know you are a willing customer could be all they need to start bidding for work – market signalling.

However, a more proactive approach may be required if you are engaging with social enterprises that have not considered supplying the public sector before, have limited experience of competing for contracts, or have concerns about the costs and time involved.

As long as no individual enterprise gains an advantage in competing for a specific contract, it is perfectly legal to work with social enterprises to help improve their ability to respond to contract opportunities.

There are several ways in which you can do this, many of which will be familiar to anyone trying to encourage procurement from small and medium-sized enterprises (SMEs).

Examples include:

- arrange regular ‘meet the buyer’ days and establish a ‘local provider forum’ invite social enterprises that operate outside your specific area but may be able to diversify their services. Use these to both inform the social enterprises of what your needs may be and also to gauge where their skills may lie.

- ensure that social enterprises are aware of upcoming opportunities. Early information about what contracting opportunities are coming up and open advertising of opportunities are essential steps to improving access, so publicise contracts as widely as possible in accessible media, using electronic and other networks. Where contracts exceed the EU thresholds they can still be advertised locally provided no extra information is given in the advertisement and the advert is placed no earlier than the notice in the Official Journal of the EU.

7.3 Adapting the commissioning process

There are simple measures that can be taken at all stages of the commissioning process that can support social enterprise solutions.

Needs assessment stage

At the needs assessment stage invite contributions from all parties to demonstrate need. This can help involve organisations with local knowledge at the earliest stage and help you to draw on their expertise. They may not have the experience you may be looking for but getting them in at this stage can determine this and also what commercial approach is required for the procurement.

Designing services

Similarly, inviting suppliers to contribute to defining specifications before launching the procurement can allow their expertise to be taken into consideration at the earliest stages.

User involvement

The best services are those that are designed around the needs of patients, customers and service users. Involving service users and members of the

community in designing and assessing bids can play an important role in increasing satisfaction with services but also in designing services that best meet their needs. Involving them in the assessment of bids can also foster a sense of ownership. If after this you chose to go to open tender be sure to award points for the ability to demonstrate service user engagement.

Risk management

Be creative about how you manage risk. Too often it is done through financial stipulations and operating track record. Investigate alternative ways that are proportional to the contract being delivered. These could include risk sharing as in the case of Unlimited Potential.

Financial pressures and objectives

Examine your financial regulations and other contract requirements as they can be a significant barrier for many social enterprises. For example, a requirement of several years' trading history excludes younger social enterprises. Also strike a fair balance between risk and reward in payment mechanism; incentivising outcomes. Try to make sure that the payment scheduling does not cause any undue cash-flow issues for the social enterprise.

Aim to minimise the transaction costs incurred in administering the contract for both parties.

Provide information on current service levels and costs to all potential bidders to avoid favouring incumbent providers.

Contracting and procurement

Thinking carefully about the size of the contracts – very large contracts may pose significant barriers to entry to small firms, or those wishing to diversify into the market.

Standardise processes for contracting and procurement making any pre-qualification minimum requirements reasonable and proportionate to the contract.

Similarly ensure that the contract length is commensurate with the investment requirement and procurement costs. For example, if you are commissioning a social enterprise with the hope that they will draw in additional investment – the contract must be long enough to absorb the cost of this and therefore the repayments.

Provide continuity of relationship in the transition from procurement to contract administration

Feedback

Provide feedback to social enterprises that made it to the shortlist but were ultimately unsuccessful. You can also direct the enterprise to relevant support, so that it can compete more effectively next time.

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Printed on 100 per cent recycled paper using vegetable based ink.

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