

# a shifting landscape

## Attitudes to social enterprise service delivery

### Introduction

For nearly 40 years, since the introduction of compulsory competitive tendering in 1980, public service delivery has used a mixed economy model. While early days were fractious, with public bodies tendering under duress, there has been a huge evolution and expansion of delivery vehicles and the model now supports some complex supply chains. UK governments of all political persuasions have adopted the philosophy of delivery by those best able to deliver, whether public, private or third sector.

Recent announcements by the Labour party in favour of in-house provision may challenge this consensus, but for the moment, commissioning and enabling models are at the forefront of public sector management thinking.

Further challenge could be presented by a shift in the media climate. High-profile and damaging failures by outsourcing contractors, concerns over the quality of privately provided social care and fears around profiteering from the public purse have featured prominently in the national news.

Within the diverse ecology of service delivery, social enterprises have carved out a distinct niche. 'Profit with a purpose' organisations combine, for many, the best of all

worlds. Entrepreneurial and innovative, they are driven by social values aligned to the public sector organisations with which they work. Profits or surpluses are reinvested into services or communities rather than paid out as dividends to shareholders. Social enterprises have an imperative to succeed as, like commercial businesses, failure brings consequences.

CIPFA and E3M set out to ask if the media focus on significant outsourcing failures has changed public perceptions of service delivery and the respective roles of private sector businesses and social enterprises.



**Local authorities continue to look for local providers and in rural locations they are more likely to be social enterprises.**



In partnership with:

# E3M

## National opinion polling

A YouGov survey of just over 2,000 adults asked them about their awareness of outsourcing in public sector organisations, including local government, the role of private and social enterprises in delivering different kinds of services, and their levels of confidence in this delivery.

The survey revealed high awareness of subcontracting by local authorities with 84% of respondents saying they were aware that some services may be contracted to other businesses. However, almost half (47%) of respondents agreed with the statement that public bodies should not subcontract any services to businesses, with one third (32%) saying they had no strong views either way. Just 15% were actively supportive of subcontracting, with 6% saying they didn't know.

While public awareness of social enterprises as service providers was lower than awareness of private enterprises, respondents felt social enterprises were more suitable providers. Overall, social enterprises scored more highly on suitability for all services, with youth services, sport and leisure, and environment and park services scoring highest.

Just one in ten respondents (10%) thought private enterprises were suitable health and social care providers, compared with more than one third (36%) who were comfortable with social enterprises taking this role.

Even for physical, largely transactional services, such as waste and recycling, social enterprises were regarded as more suitable than private enterprises (29% versus 23%).

When asked to choose a preferred provider between private enterprises and social enterprises, 59% of respondents said they preferred social enterprises, while 9% chose private enterprise and 32% did not express a preference. Of those who expressed a preference, 9 out of 10 preferred social enterprises.

Compared to private enterprises, social enterprises were felt to be more trusted, more expert and to provide better value for money. They were also perceived to be lower risk providers.

The polling revealed some minor regional differences, with highest support for in-house delivery in the North East (57%) and Scotland (54%) against a UK average of 47%. The highest level of support for social enterprises was found among ABC1s aged over 55.



**I think it makes sense for councils to consider new ways of delivering services and social enterprises seem to be a sustainable way of doing this.**

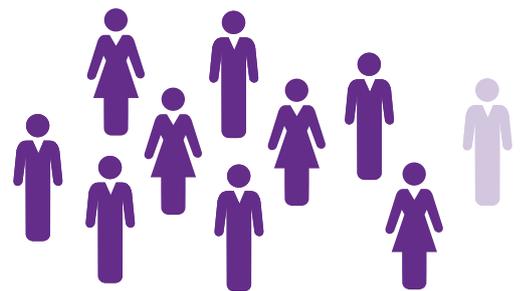


### Summary

The research highlighted public concern around the role of outsourcing in the delivery of public services, which could plausibly be linked to some recent high-profile examples of failure.

Three key services associated with outsourcing are considered to be delivering poorly: health and social care, housing, and roads.

Given the choice, the public much prefer the use of social enterprises to private enterprises for delivery of public services on the grounds of perceived expertise, value for money, trust and lower levels of risk.



**9 out of 10**  
respondents preferred social enterprise



Social enterprises can provide a flexible solution which carries a lot of goodwill with positive social objectives. They can concentrate on very specific areas and generate specialist knowledge.



### CIPFA membership survey

As YouGov was testing national public opinion, CIPFA ran a parallel survey of our members, the frontline professionals charged with achieving best value for public money and grappling with the challenges of austerity.

The 144 members who responded to the survey gave both quantitative and qualitative feedback.

According to responses, services most likely to be outsourced to social enterprises were sport, leisure, libraries and events, followed by health and social care. A large majority (84%) of respondents said social enterprises have been very (19%) or quite (65%) successful in delivering services. Only 3% believed social enterprises had been unsuccessful or very unsuccessful.

Sixty percent of respondents thought social enterprises would have a greater role in the future, with only 10% expecting their contribution to decline.

Among the reasons given for this expected increase in the use of social enterprises were: ability to exploit their inherent flexibility; increased wariness of working with commercial companies and joint ventures; greater reliance on voluntary and social enterprises as local government funding constricts; the role of social value in the procurement process; the need for communities to take more responsibility themselves; and increased confidence in the capacity of social enterprises.

The relatively few respondents who expected a reduction in the role of social enterprises saw the challenges as: unconvincing business cases; questions about long-term viability; inadequate cash flow; growing focus on in-house delivery; and a relatively high perception of risk.

#### Social enterprises in action

Livewell Southwest is a health and social care provider of acute, community and primary care services. It is one of the city's largest employers and regularly invests its surplus income into community-based projects. On a smaller scale, Four Greens Community Economic Development Trust provide a highly successful Wellbeing Hub in an area of deprivation, providing activities ranging from time banking, space for a pop-up library and health education through to a sports and physical activity hub in partnership with Plymouth Argyle in the Community Trust.

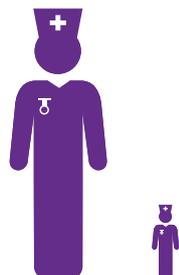
CIPFA Survey respondent

#### Summary

CIPFA's survey mirrors many of the findings from the YouGov polling, suggesting a growing preference towards social enterprises and an expectation that, should political circumstances remain the same, their role will grow. The vulnerabilities highlighted by CIPFA members are also well understood by the social enterprise community and providers in this sector understand the challenges they face.

**36%**

respondents said social enterprises were suitable social and health care providers



**10%**

respondents said private enterprises were suitable social and health care providers

## Round table discussion

The findings of the two surveys informed a round table discussion between a group of senior local authority finance leaders, which took place at the Public Finance Live conference in Birmingham on 8 July.

Attendees agreed there was a need for flexibility in service delivery and noted the importance of social value over transactional relationships.

The term social enterprise was viewed as a complex one, meaning different things to different people, but there was an understanding that social enterprises are commercially minded organisations, not existing solely on grant.

One finance director spoke of the 'preference hierarchies' their council used, with social enterprises near the top and private companies, especially multinationals, at the bottom.

Attitudes of councillors and their views on social enterprises differ greatly from one council to another so it can be difficult to generalise for the local government sector as a whole and each council should be treated as an individual case.

Returning to the principles of service delivery, the participants agreed that the focus should be on 'who is best placed' to deliver, and austerity presents an opportunity to rethink this.

There was recognition that social value can mean focusing on local employment and the local supply chain as part of economic development and broad agreement that there is now space for more social enterprises.

Discussion also considered the role of citizens, acknowledging that communities can feel disconnected and 'done to'. Keeping commissioning activity local can help avoid this feeling and create a sense of ownership of local services.

The group noted a shift in public mood, with increased pressure to insource coming from trade unions and some political leadership.



**Local authorities are under too much financial pressure to be able to concentrate resources on social enterprises.**



### Social enterprises in action

We commission Public Voice in Haringey to deliver our HealthWatch contract. This is a statutory function (which must be delivered independently of the local authority) and its provision through a social enterprise has enabled some innovative approaches. In addition, Public Voice has been successful in developing new business – linked to community based initiatives for health and care – without compromising its autonomy. We also commission a social enterprise to deliver our individual placement service to support people with severe and enduring mental health needs into sustained employment. This has proved very successful and has attracted investment from social finance to support its work.

CIPFA Survey respondent

Quotas had a potential role to play in increasing the contribution of social enterprises. The discussion was told that some authorities are moving to a mandatory social value quota in their tendering, of 20% for example, giving it 'teeth'.

Differing perceptions of councils as commissioners and social enterprises as providers were highlighted. One attendee spoke of a social enterprise they had worked with expecting the council to step in if things went wrong. Another suggested procurement and commissioning was sometimes too risk-averse. From a social enterprise perspective, there was a view that local authorities focus more on compliance with process and less on outcomes.



**84%**

respondents said social enterprises successful in delivering services

**3%**



respondents said social enterprises unsuccessful in delivering services

Interestingly, some participants saw local authorities as moving towards social enterprise-like models in their behaviours and business plans. There was a 'blurring of the lines' as councils become more like social enterprises, seeking to generate income from new sources and re-investing to help their communities.

While social enterprises are associated with innovation, one participant observed: 'it's not about being a social enterprise per se, it's about bringing something new to the table'.

## Conclusion

Social enterprises present a potential alternative means of service delivery, with wider ranging benefits including greater local citizen engagement and altruistic investment into local places, coupled with commercial nous and expertise.

In order for social enterprises to be successful in delivering public services, there must be:

- clear and robust governance structures
- clear designation of roles and responsibilities
- clear understanding of the business model of the social enterprise.

The main challenges for social enterprises wishing to engage with local authorities include:

- persistent lack of understanding of certain social enterprise models
- risk-averse procurement processes
- focus by local authorities on compliance as opposed to outcomes
- lack of understanding amongst procurement officials about what is practically possible under the regulations (in particular the use of the innovation partnership procedure).

CIPFA encourages further discussion between local authorities and the social enterprise sector in order to overcome these barriers to success, and make the most of the opportunities that collaborations of this type present.



**Increasingly, local authorities are looking to develop a mixed economy which can respond and be fairly resilient to big changes in funding, in approach and in outcomes. Social enterprises are well placed to benefit from this focus.**



### About CIPFA

CIPFA is the professional body for people in public finance. We champion high performance in public services, translating our experience and insight into clear advice and practical services. As the world's only professional accountancy body to specialise in public services, CIPFA's qualifications are the foundation for a career in public finance.

[www.cipfa.org](http://www.cipfa.org)

### About E3M

E3M is an initiative that promotes and supports innovation in the delivery of public services. It facilitates two specialist knowledge communities: the E3M Social Enterprise Leaders Club and the E3M Bold Commissioners Club. E3M is a catalyst for change, developing thought leadership on key issues for social enterprise growth.

[www.e3m.org.uk](http://www.e3m.org.uk)



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