

Better value

Purchasing public services from the social economy



SCOTTISH EXECUTIVE

Ensuring decent housing
and strong communities across Scotland



This document has been produced by Communities Scotland, the Scottish Executive's housing and regeneration agency, which is charged with supporting the social economy on behalf of Ministers.



Better value

Purchasing public services from the social economy

Foreword

The Scottish Executive and COSLA are committed to providing high-quality public services for the people of Scotland. This is the driver behind the Scottish Executive paper *Transforming Public Services: the next stage of reform*, the principles of which are supported by COSLA.

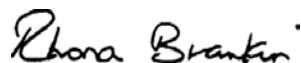
We both recognise the role that the social economy – voluntary organisations and social enterprises – can play in delivering better services through closeness to, and knowledge of, their clients alongside a proven ability to innovate. The Scottish Executive's Social Economy Review of 2003 recognised this and led to the development of the Futurebuilders Scotland programme. This will be built on by the implementation of *A Vision for the Voluntary Sector – the next phase of our relationship* and the forthcoming social enterprise strategy.

At council level, local compacts and the development of community planning have led to greater co-operation between the public and social economy sectors. This has provided more opportunities for social economy organisations to deliver more services. The accompanying document to this guide, *Better value – the social economy delivering public sector contracts*, provides 15 case studies where social economy organisations have successfully delivered contracts in Scotland.

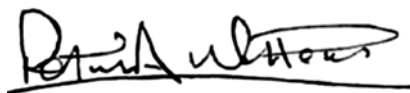
Although we are making progress, more still needs to be done. The key message of this guide, which is part of the Futurebuilders Scotland programme, is to demonstrate to public bodies the advantages of contracting with the social economy. This has multiple benefits for our communities, socially, economically and environmen-

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tally. Public bodies need to ensure their procurement processes give social economy organisations the opportunity to bid for contracts. Accessing the innovation and experience of the social economy can help achieve our shared aim of delivering world class public services and help address key objectives of efficient government and best value.



Rhona Brankin, MSP
Minister for Communities



Councillor Pat Watters, CBE
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Introduction

1

This guide is aimed at all those who direct and influence the shape of public services in Scotland and those who procure services on a daily basis. Its purpose is to raise awareness of the social economy and highlight the advantages of purchasing services from the social economy.

This is the first document in a series relating to public sector purchasers. Accompanying this is a publication, *Better value – the social economy delivering public sector contracts*. This shows examples of good practice in public sector procurers working effectively with social economy organisations within the European Union and best value frameworks, to gain high-quality services and the added value that social economy organisations provide.

The social economy

The social economy is made up of organisations with a social or environmental purpose that generate some of their income from trading activities, often through delivering services under contract from the public sector.

There are two main types of social economy organisations: voluntary organisations and social enterprises. Social enterprises work on a business model that maximises profits to be reinvested into the business or the community. Many voluntary organisations also trade, but to a lesser degree than social enterprises.

Key features of the social economy

The key features of social economy organisations are that they:

- are established for social purpose

- are primarily non-profit distributing
- have voluntary management
- have community or user participation

Traditional terms such as ‘not-for-profit’ are becoming less relevant to modern social economy organisations, many of which were established with a strong business drive, and are often referred to as social enterprises. In Scotland, organisations such as Kibble, the Richmond Fellowship and the Wise Group are run along similar lines to private businesses and generate multimillion pound turnovers. They also have strong social aims to make life better for the users of their services.

‘More than profit’ is a more appropriate description, because they trade in order to generate surpluses and then reinvest these into the organisation and the communities that they serve, thereby further contributing to the delivery of better services.

The document *Better value – the social economy delivering public sector contracts*, which accompanies this guide, includes case studies of social economy organisations that deliver a range of services across Scotland.

The Scottish Executive is committed to strengthening the role of the social economy. The process of supporting the sector to develop and deliver more services has been supported by the Futurebuilders Scotland programme and the establishment of the Social Economy Unit in Communities Scotland. It is being continued through the implementation of *A Vision for the Voluntary Sector – the next stage of our relationship* as well as by the forthcoming social enterprise strategy. The Executive believes that the social economy can contribute to the improved delivery of public services and to ‘closing the opportunity gap’, whether such disadvantage arises from rural isolation, from urban deprivation or for other reasons such as disability.

Policy background

The Scottish Executive’s *Review of the Social Economy* (2003) recognised that in many

circumstances the social economy provides public services of the highest quality. The Executive's commitment to the best public services and to develop the social economy means it is essential that social economy organisations can bid for service delivery contracts.

The review also acknowledged the need for a new approach to engage social economy organisations in contributing to service delivery. The intention of this guide is to:

- demonstrate how the social economy can help your organisation provide the very best services
- show what steps you can take to ensure social economy organisations are given an opportunity to deliver more services for your organisation.

It also acknowledges that there is a role for the social economy to deliver services in partnership with the public sector or, where appropriate, with a private sector provider. 'Pilot' projects might provide a way to start partnership working. The important thing is to make sure that social economy organisations have the opportunity in the first place to enter the procurement process.

Public bodies have a continuing duty to secure best value. They must account for their decisions and are expected to act in a manner that best meets their duties and responsibilities. In this regard procurement processes are vital. *The Scottish Procurement Directorate Toolkit* gives an excellent overview of the procedures and processes of developing the business case for procuring services, including carrying out a market assessment.

To further clarify the relationship between public sector purchaser and potential supplier, the Scottish Executive recently published the Suppliers Charter. This recognises the need, where practical, to simplify and standardise processes and to provide a fair and open approach to tendering.

In recent years, best value arrangements have provided a framework for continuous improvement in the way public services are provided, in areas including governance, leadership, procurement, equalities, joint working, accountability and a contribution to sustainable development.

Through best value, the public sector should examine the services it delivers to ensure that first, they meet people's needs; second, that they are delivered by the most efficient and effective means. This should contribute to a more varied pattern of public service delivery across Scotland, finding the optimum role which can be played by the public sector, the private sector and the social economy. Best value guidance for local authorities and the wider public sector specifically requires consideration to be given to the role which social economy organisations can play. Local authority guidance states that a local authority must demonstrate that it "recognises the value of working with communities and voluntary sector organisations to achieve service goals".

Transforming Public Services: The Next Phase of Reform, underlines the Scottish Executive's commitment to ensuring that Scotland's public services are among the best in the world. To achieve this, the paper acknowledges a need to ensure simpler access to universally high-quality services, encouraging new services to be delivered in new ways and providing more flexibility in the ways organisations deliver public services. Greater engagement with the social economy can help meet these aims. Furthermore, *The McClelland Report on Public Procurement in Scotland* (2006) recommends that the procurement process should be made more professional. This should provide opportunities for social economy organisations through the wider publication of opportunities and better assessment of bids.

It is also important that organisations are able to find out about opportunities. As the e-procurement Scotland programme develops, it will provide a way for contracting opportunities to be seen by all interested organisations, including those from the social economy.

Moving to a position in Scotland where social economy organisations are more involved in providing services will also involve development of the social economy so that more organisations can bid for, and deliver, services to public bodies competitively. Futurebuilders Scotland has already produced a procurement guide, *Tendering for Public Sector Contracts: a practical guide for social economy organisations in Scotland*.

Many of the advantages of contracting with the social economy relate to 'added value'. To help organisations measure this, the Futurebuilders Scotland programme has also published *Making the case – social added value guide* which looks at the various ways to measure added value. This helps organisations to demonstrate their social impact to stakeholders.

This guide builds on those documents. As well as social economy organisations having the knowledge of how to tender for and win contracts it is vital that purchasers of services are aware of the advantages of contracting, or working in partnership, with the social economy.

Small and medium-sized private sector businesses face many of the same issues relating to access to markets as social economy organisations. This guide could also be relevant for them.

Services delivered by the social economy

The range of activities provided by the social economy is diverse, and is related to the needs of public bodies and communities. The following list is not exhaustive, but illustrates the extent of the social economy. It now offers a range of specialist and technical support as well as the more traditional role in care-related activities.

Current provision includes:

- Catering
- Cleaning
- Childcare
- Consultancy
- Environmental management
- Grounds services

- Healthcare services
- Insulation work
- Recruitment
- Surveys
- Waste and recycling services
- Welfare services
- Housing services
- Outdoor activities
- Research
- Training
- Information services
- Property maintenance
- Social care
- Transportation
- Web design

The scale of the social economy is also significant. There are around 50,000 voluntary organisations in Scotland. Research by the Department of Trade and Industry – *A Survey of Social Enterprise Across the UK* (2005) – estimated that there were 1,051 social enterprises in Scotland with a turnover of around £1 billion, employing over 20,000 staff and benefiting from the input of 18,500 volunteers. More recent research from the Small Business Survey suggests that there are more than 3,000 social enterprises in Scotland.

Clearly not all social economy organisations have the potential to offer services to the public. But a many do and these organisations could well be capable of delivering the quality and type of service you require.

Many public sector contracts are currently delivered by social economy organisations. The accompanying document, *Better value – the social economy delivering public sector contracts*, illustrates a series of case studies where public bodies in Scotland have met their objectives through contracting with the social economy. Brief examples from it are used at the end of each section in the next chapter to illustrate how the social economy can help public bodies meet their obligations to deliver better services.

What the social economy can do for you

2

The social economy makes a big contribution to the social, economic and environmental development of Scotland. Not only do social economy organisations directly deliver services, but they add value to this through wider social and environmental benefits. These, combined with quality and competitive pricing, provide the type of service sought by the Scottish Executive through initiatives such as best value and efficient government.

This section identifies some of the reasons why contracting with the social economy can significantly benefit public bodies. Many of these relate to the added value that the social economy brings to service delivery, such as the sector's established community links, its understanding of the needs of its client group and its ability to be innovative and flexible.

European directives and procurement regulations make clear that wider social, environmental and economic benefits that are directly relevant to the contract can be taken into account through the public procurement process. Such benefits should be included in the tender specification where appropriate.

The Joseph Rowntree Foundation report, *Achieving community benefits through contracts: law, policy and practice* (www.jrf.org.uk/knowledge/findings/housing/d12.asp), provides information about the ways in which community benefit clauses can be included in public purchase contracts.

Community benefit clauses can be included in contract specifications and can cover social and environmental elements that may be used to select and award contracts.

The European Union has confirmed that community benefit clauses (or social and environmental clauses) can be included, as long as suppliers who are not local are not disadvantaged or discriminated against and the contract meets with government procurement policy and best value. To meet with the policy and legal framework, the community benefit element must be part of the main purpose of the contract and must provide a benefit. Community benefit clauses should be supported by strategic documents such as community plans.

Contracting, or working in partnership with, social economy organisations can have positive effects in the following areas:

- Contributing to efficient government
- Achieving best value
- ‘Closing the opportunity gap’, regenerating communities and addressing disadvantage
- Addressing urban and rural challenges
- Economic benefits
- Independence and trust
- Addressing the social objectives of public bodies

1 Contribution to efficient government

Efficient government is a central part of the Scottish Executive’s reform agenda and contributes towards the ‘efficiency’ component of the duty of best value. It aims to attack waste, bureaucracy and duplication in Scotland’s public sector. It is about making sure resources are appropriately targeted to deliver effective and efficient services. The range of social, economic and environmental outcomes delivered by the social economy can directly contribute to efficient government through providing a high-quality, efficient service.

Significant procurement efficiency savings are already being generated across the public sector, for example through eProcurement Scotl@nd (www.eprocurementscotland.com) and the use of collaborative contracts. As part of this process, it is important the public sector has access to a range of suppliers, including those from the social economy.

The next step for the e-Procurement programme is to ensure that tenders are matched with potential bidders, through a database of service delivery opportunities. This will enable as many potential bidders as possible to be aware of the opportunities in their area. This is expected to be operational in 2007. It will have the additional benefit of helping public bodies meet their obligations under the Public Contracts (Scotland) Regulations 2006 that require lower-value contracts (below £94,000 for goods and services) to be advertised.

Changes to European procurement laws

Until 31 January 2006 it was widely thought that public sector contracts for goods and services for less than the thresholds in the EU procurement directives did not need to be advertised and that contracts exempt from publication in the European Official Journal could be awarded without advertisement. Now there is a legal requirement to consider advertising all public sector contracts to an appropriate level. This should allow the social economy more access to information about lower-value contract opportunities and Part B service contracts such as those relating to health and social care. Another development to be aware of is 'reserved' contracts. Public bodies can reserve contracts to award to organisations that provide 'sheltered workshops' (employing 50 per cent of staff with disabilities) and employment programmes. The Scottish Executive is developing guidance for Scotland on this. For guidance on European directives and public procurement regulations see the Scottish Executive's procurement website www.scotland.gov.uk/topics/government/procurement.

It will be vital that social economy organisations are registered with public sector purchasers as providers of services and the Executive will work with the sector to ensure that this happens. In this way purchasers will know that their tenders will be seen by as wide a variety of potential bidders as possible. Social economy organisations will have the chance to bid for the contracts that are appropriate for them.

Through the procurement process, social economy organisations must show that they are meeting the efficiency component of best value. Because of the way that they operate – with a focus on the client – they are often well placed to meet the other parts of best value.

CASE STUDY: Trans Fife Community Transport, out of hours driving services contract for NHS Fife.

This contract was put out to tender under *Official Journal of the EU* rules. Trans Fife Community Transport won the contract on its ability to deliver quality, a thorough understanding of customer needs and value for money through a competitively-priced bid.

2 Achieving best value

The Local Government in Scotland Act (2003) introduced two new statutory responsibilities for local authorities: best value and community planning. This places local authorities under a duty to make arrangements to secure best value. For the wider public sector, accountable officers must ensure that their organisation secures best value.

Although defined succinctly in the Act as a means to secure continuous improvement, best value is a highly-detailed regime which has introduced and accelerated a wide range of practices into the public sector including benchmarking, consultation techniques, options appraisal, performance management and planning. Best value is perhaps most thoroughly embedded into local authority practices, but is now a common framework for continuous improvement across the Scottish public sector.

Best value requires all options to be considered on their merits, with decisions being founded on a fair and robust assessment of which option delivers the best outcomes. Best value therefore envisages a diverse range of service deliverers, embracing the public, private and social economy sectors.

The guidance issued to local authorities in relation to the Act lists ten key characteristics of a best value organisation, including:

- a contribution to sustainable development which includes a consideration of the social, economic and environmental impacts of activities
- a commitment to joint working which encourages partnership in service delivery where this will contribute to better services and customer-focused outcomes
- a demonstration of responsiveness and consultation, including the voluntary and community sectors
- a culture which encourages both equal opportunities and the observance of equal opportunities requirements

Because of their knowledge of their client group and ability to innovate, social economy organisations are perfectly positioned to enable public bodies to achieve best value. Local authorities will be scrutinised on the issues outlined above (as well as the other best value characteristics) during the Best Value audit process.

CASE STUDY: McSence, Domestic Insulation and Heating Services, for Midlothian Council.

This contract was won through McSence's ability to provide a high-quality service through a motivated and highly-skilled workforce. As well as delivering an excellent service, McSence regularly communicates with the purchaser through timely invoicing and regular reports which lets the council easily fulfil its own monitoring requirements.

3 Closing the opportunity gap, regenerating communities and addressing disadvantage

Social economy organisations have already made a real contribution to providing better public services, across the range of criminal and social justice, education and training, tourism, sport and culture, health and community care, enterprise and lifelong learning, transport, housing and the environment. In undertaking this work, they can not only deliver the same high standards as other providers, but also add value by helping to address inequality of opportunity and by contributing to the regeneration and

strengthening of communities.

The Futurebuilders Scotland programme recognises that social economy organisations can play a key role in meeting the Scottish Executive's Closing the Opportunity Gap objectives. Meeting these objectives – including helping disadvantaged people into employment, regenerating disadvantaged neighbourhoods and providing high quality services to disadvantaged people in rural areas – is one of the key criteria for the Futurebuilders Scotland funds.

Contracting with the social economy enables purchasers to meet more than one objective through purchasing decisions. It might be possible, for example, to combine the contract to provide work opportunities for long-term unemployed people with that for grounds maintenance. By working cross-departmentally there is scope to make savings and purchase social and or environmental benefit. Furthermore, as explained on page 17, the consolidated European procurement directive enables public bodies to reserve contracts for organisations employing staff with disabilities.

CASE STUDY: FEAT Enterprises, SpringBack

A contract with Falkirk Council to recycle mattresses helps maintain employment for five disadvantaged people and seven trainees. As well as providing much-needed opportunities to those traditionally furthest from jobs, FEAT also meets the core conditions of the contract: to prevent mattresses going into landfill.

4 Addressing urban and rural challenges

In areas of urban deprivation, social economy organisations have the potential to help public bodies meet their goals and objectives by addressing the multiple forms of disadvantage in such communities, as recognised by the Scottish Executive's Regeneration policy statement, *People and Place*. Research into the added value of voluntary and community organisations provides strong evidence that such organisations have a comparative advantage in deprived environments over traditional service delivery

methods. See, for example, research by Grimes and Maxwell on *Redefining the Social Economy*.

Public sector bodies serving remote and thinly-populated rural areas in Scotland face a constant challenge in balancing equality of provision and cost-effectiveness. Scotland leads the way in the UK in terms of social economy organisations operating in rural areas – recent research from the Department of Trade and Industry concluded that 35 per cent of social enterprises in Scotland were rurally based as opposed to a UK average of 11 per cent.

The Scottish Executive is working closely with a number of rural Community Planning Partnerships under the closing the opportunity gap initiative to improve the quality of, and access to, services in rural areas. This opportunity to enhance local decision making has provided the opportunity to work with the social economy in remote areas there is a real need for social economy organisations to become recognised service providers providing services such as community shops and transport services in remote areas.

CASE STUDY: ILM Highlands, White Goods Landfill Avoidance Service for Highland Council. The service to collect and reuse or recycle 1,000 tons of white goods from across Highland region is competitively priced, contributing to ILM Highlands winning the contract. The organisation meets its contracted targets while providing a high standard of customer care.

5 Economic benefits

There are many activities where the social economy can deliver wider economic benefit and value for money. Already the voluntary sector makes a significant contribution to the economy in Scotland. The Scottish Council for Voluntary Organisations (SCVO) estimates that in 2004 the sector provided 119,000 jobs and had an annual turnover of £2.6 billion. Research from the Department of Trade and Industry (2005) estimated that Scotland had 1,000 social enterprises with a combined turnover of around £1 billion while employing

over 20,000 staff and utilising the skills of 18,500 volunteers. Further research from the small business survey suggests these figures may be even higher.

Economic benefit to the purchaser can come from a number of areas:

- social economy organisations can access funding from elsewhere that complements their public service role
- there is a wider economic impact of improving the employability of those furthest from work
- social economy organisations can develop flexible, specialist services using skilled staff over a number of public sector areas, drawing on economies of scale that a public body working in one geographic area might not be able to match
- while service delivery is led by professional staff, the social economy also enjoys the contribution of many thousands of volunteers who can provide extra services over and above the delivery of the public service, for example through operating befriending schemes at care homes
- social economy organisations may have lower costs which means they can often provide services more cost effectively.

CASE STUDY: Richmond Fellowship, Community Care Services for West Dunbartonshire Council.

Richmond Fellowship was able to use the same core management team as on other contracts for the council. This not only ensured that the staff had the necessary experience and knowledge to run a high quality service but also enabled Richmond Fellowship to cost the contract very competitively.

6 Independence and trust

Social economy organisations established to address the particular needs of their clients can often build strong and trusted relationships with certain sections of the community including:

- Older people
- Young people
- People facing gender or sexuality-based discrimination
- People from black and minority ethnic groups
- People from different religions
- People with disabilities
- People with long-term health problems.

As well as delivering better services through having the trust of their clients, social economy organisations can also build strong links with families and carers. They also play a unique role in forging community links where direct public service delivery has traditionally proved difficult. They can therefore effectively promote services from a wide range of public bodies – including local government, health, police and fire – to often hard-to-reach communities.

CASE STUDY: Cornerstone Community Care, supporting adults with learning difficulties in carers' homes for South Ayrshire Council.

The in-depth knowledge that Cornerstone Care has of its client group lets the organisation win the trust of both its clients and their families. This allows Cornerstone to provide effective and innovative care, helping its clients to feel happy and safe in their own homes.

7 Addressing the social objectives of public bodies

The power to advance wellbeing (introduced by The Local Government in Scotland Act 2003) gives local authorities the framework in which to promote or improve the wellbeing of its area or people where there is no obvious statutory power or duty available. It may be important for social economy organisations to show that they are providing wider benefit to the community beyond the core service that they deliver where a council is using the wellbeing power.

Most public bodies have published a mission statement, vision or similar document. Such publications usually mention the organisation's wider social objectives. In striving to meet these objectives, there will, in almost every instance, be a strong case for engagement with social economy organisations.

CASE STUDY: Forth Sector, Parkview Laundry, cleaning conference bedding for Queen Margaret University College, Edinburgh, an organisation with a strong community focus.

Parkview Laundry gives work opportunities to those with severe and enduring mental health difficulties. This meets the values of the college's community outreach programme. Parkview also operates as a competitive business and prides itself in ensuring that the service provided exceeds customers expectations.

How you can work with the social economy

3

Section 2 showed how engaging with social economy organisations helps to meet many different objectives. If a public body is committed to engagement with the social economy, this policy should be reflected at a number of levels in the organisation. It is particularly important that this commitment is reflected in procurement policy and practice.

A policy base

The corporate plan or mission statement should declare a commitment to working with the social economy and an explanation of the reasons for that commitment. Clarity here will help show how the policy links with more operational levels of the organisation – for example in joint working and procurement.

Such strategic policy should be reflected in other plans of the organisation, such as service plans or local compact with the voluntary sector. These should mirror corporate priorities, and show how they will be given effect within each specialised area of working.

Likewise, procurement policy should include a commitment to ensuring that, where appropriate, social economy organisations have the opportunity to compete equally. Best value reviews should ensure that this is happening. It may be useful to have a champion, ideally at a senior level, to lead on working with the social economy.

Local social economy partnerships and community planning

Local social economy partnerships support the growth of the social economy. The remit for each partnership includes mapping the sector, co-ordinating support and developing an action plan, an important area of which can be promoting contact

between purchases and suppliers, through, for example, ‘meet the buyer’ events.

Local social economy partnerships

Futurebuilders Scotland – investing in the Social Economy (2004) sets out that there should be local social economy partnerships to cover all local authority areas in Scotland and 30 are established. Each includes Communities Scotland, Scottish Enterprise or Highlands and Islands Enterprise, the local authority and the local Council for Voluntary Services (CVS) as its core partners.

The goal of these partnerships is to support the growth of the social economy by:

- improving co-ordination across partners;
- facilitating local networking;
- strengthening the range of locally available support, including from Business Gateway or the local enterprise company; and
- unlocking market opportunities for social economy organisations.

Contact details and guidance for local social economy partnerships can be found on the Communities Scotland website.

‘Meet the buyer’ roadshows

To help social economy organisations enter the public procurement market, the Highlands and Islands Social Enterprise Zone (HISEZ), a partnership supporting social enterprises in the north of Scotland) which works closely with the local social economy partnerships across the Highlands and Islands has run 10 ‘Meet the Buyer’ roadshows in the region. Social enterprises and small and medium-sized businesses from the private sector (which share many of the same problems accessing markets as social economy organisations) were invited to share good practice in completing pre-qualification forms and tender applications. Public procurement officers also attended the events and explained their expectations and constraints.

Alongside these events HISEZ has also run workshops for public procurement officers on good practice in drawing up tender opportunities and discussing best value in procurement. This has given procurement officials a much better idea of what services the social economy sector can deliver and how it can help deliver best value. Such has been the success of these events that a new round of roadshows are planned, together with a best value conference for public procurement officers. Other local social economy partnerships are looking at running similar events.

Community planning

Community planning is the statutory framework for local partners to make public services responsive to, and organised around, the needs of the community. Social economy organisations have an interest as potential providers of these services and as community groups who may benefit from them. Many community planning partnerships (CPPs) are forming stronger links with the social economy through closer links with their local social economy partnerships, some of which are now formally part of CPP structures, usually as a group reporting to a relevant theme group of the partnership. The sector is also represented through voluntary sector representation on CPP boards and theme groups.

Through such links, community planning can help the development of the social economy in public service delivery through increasing awareness of social economy organisations and outlining how they can deliver quality services that meet partners' needs. There is a commitment within community planning for organisations to work together to provide better public services, and a clear role for the social economy as a key partner in achieving this.

Service review processes

The public sector must ensure that the highest-quality services are delivered to those who need them. It is therefore essential to review services and consult stakeholders. Under best value, local authorities have a statutory duty to do this, and other public bodies must also review and consult under their best value duties.

All public bodies in Scotland are now subject to a periodic audit of best value practice. Review systems with a degree of challenge and objective scrutiny will provide evidence of meeting that aspect of the duty of best value.

Where service reviews take place there may be scope to consider alternative methods of service delivery at the local level including use of social economy organisations. Review is an opportunity to consider ways of delivering services in an innovative manner. In particular this can be an opportunity to examine current services and procurement practice in relation to the social economy.

Procurement law and policy

EU law requires that procurement decisions are based on merit and on factors related to the subject matter of what is being purchased. Contracts must usually be awarded following competition (particularly for higher-value contracts) and all participants in a competition must, by law, be treated equally. Scottish Executive policy is also that procurement decisions should be based on quality and value for money.

While the main purpose of EU procurement regulations is to ensure fair competition within the European Union, they allow public bodies to use community benefit clauses as part of their strategy to maximise social gains from procurement activity (see page 15).

Guidance on these issues and on integrating social issues into procurement decisions is available from the Scottish Executive's procurement website, www.scotland.gov.uk/Topics/Government/procurement) and from the Office of Government Commerce's website at www.ogc.gov.uk/.

Conclusion

4

In Scotland, as in many other countries, there is growing recognition of the scale and significance of the social economy and its potential to contribute to national goals including:

- contributing to growing Scotland's economy by use of a business model
- delivering better and more innovative services in line with the principles of best value
- delivering social, economic and environmental actions and in doing so contributing to efficient government
- contributing to the employment chances of those furthest from jobs
- regenerating our communities and closing the opportunity gap.

The Scottish Executive recognises that achieving a fuller role for the social economy requires a number of conditions to be met, including:

- 1** raised awareness
- 2** business support
- 3** an environment in which the social economy can grow and work more effectively in partnership with the public sector.

We are seeking to address these issues through implementing the *Vision for the Voluntary Sector* and the forthcoming social enterprise strategy.

The accompanying document, *Better value: the social economy delivering public sector contracts* demonstrates the social economy's ability to deliver quality services as effectively as the public and private sectors. The Scottish Executive believes that the social economy can contribute more to the delivery of better public services. For this to happen public bodies need to commit to working with the social economy and,

in particular, ensure the social economy is given equal access to the procurement process. Public bodies need to examine their processes to ensure that this is the case.

Public bodies need to review the way that services are purchased to ensure that this is consistent with best value principles and, in particular, make sure that they consider a diverse range of provision. This should be based on providing excellent services to the public at a price that provides value for money while also helping to meet wider corporate objectives. Public bodies also need to find out who the potential providers are and ensure that they are able to inform them when opportunities arise and look for opportunities for partnership working.

The challenge for Scottish public bodies is to use Community Planning Partnerships, not just to link programmes and agendas, but to start local change related to purchasing services from the social economy. Local social economy partnerships within the community planning will play an important role in this.

We hope this guide has shown the advantages to public bodies of contracting service delivery to the social economy. It is our firm view that this can lead to multiple social, economic and environmental benefits for Scotland. The public sector has a duty to deliver the highest quality public services. One way of doing this is to ensure that that the social economy is given the opportunity to play its role.

Checklist

5

The following points should help any public body trying to promote the social economy and any social economy organisation trying to engage with a public sector procurer.

1 Are the relevant policies in place?

- Does the corporate plan or mission statement commit to working with the social economy?
- Is a procurement policy in place, and does it encourage working with the social economy?
- What training and communications have been undertaken to put policy into practice?

2 How are contract specifications developed?

- Is there a system in place to ensure that social and environmental clauses can be included in contracts where these are appropriate?
- Is there a policy to consider reserving contracts for sheltered employment schemes?

3 Joint working

- Are procurement officers working with other departments (or agencies) to see if they can collaborate with each other and achieve multiple outcomes through purchasing?

4 How are reviews undertaken?

- Is the social economy considered in service reviews?
- Do wider corporate objectives for the social economy inform the review process?

5 Partnership working

- Does community planning create a strong voice for social economy organisations?
- Are you represented on your local social economy partnership?
- Have you contacted your local social economy partnership about holding a 'meet the buyer' event?

Links to important documents:

Better value: the social economy delivering public sector contracts
(Communities Scotland, 2006)

Futurebuilders Scotland: investing in the social economy (Scottish Executive, 2004)
www.scotland.gov.uk/Publications/2004/09/19945/42923

A Vision for the Voluntary Sector – the next stage of our relationship
(Scottish Executive, 2006)
www.scotland.gov.uk/Publications/2005/12/12103306/33063

A Review of the Scottish Executive's Policies to Promote the Social Economy (2003)
www.scotland.gov.uk/Publications/2003/01/16206/17039

Scottish Procurement Directorate Toolkit (2005)
www.eprocurementscotland.com/toolkit/

Suppliers' Charter (2006)
www.scotland.gov.uk/Topics/Government/Procurement/Selling/Supplierscharter2

Transforming Public Services: The Next Phase of Reform (Scottish Executive, 2006)
www.scotland.gov.uk/Publications/2006/06/15110925/0

McClelland Report on Public Procurement in Scotland (Scottish Executive, 2006)
www.scotland.gov.uk/Publications/2006/03/14105448/0

Tendering for Public Sector Contracts: a practical guide for social economy organisations in Scotland
www.socialeconomyscotland.info/equal/proc_advice.asp

Making the case – social added value guide (Communities Scotland, 2006)

www.communitiesscotland.gov.uk/stellent/groups/public/documents/webpages/otcs_014654.pdf

Achieving community benefits through contracts: law, policy and practice

www.jrf.org.uk/knowledge/findings/housing/d12.asp

Best Value guidance (Scottish Executive, 2004)

www.scotland.gov.uk/Topics/Government/14838/564

Best Value audit process

www.audit-scotland.gov.uk/audit/index.htm

People and Place – regeneration policy statement (Scottish Executive, 2006)

www.scotland.gov.uk/publications/2006/06/01145839/0.

Tendering for Public Sector Contracts: a practical guide for social economy organisations in Scotland

www.socialeconomyscotland.info/equal/proc_advice.asp (requires registration)

Redefining the Social Economy, Grimes and Maxwell

www.scotlandeuropa.com/home.htm (paper 12).



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