

GETTING BEST VALUE – AN EU COLLOQUIUM ON SOCIAL ENTERPRISE AND PUBLIC PROCUREMENT

Thinking on how to deliver better public services through partnership with social enterprise has really moved on during the first round of EQUAL, a high-profile seminar held under the British presidency of the EU shows. Informing future work under EQUAL, three examples from around Europe show how public authorities can get more for their money by dealing with social enterprises.

On 26th October 2005, as part of the Social Enterprise Partnership's work in EQUAL,¹ the UK's **Social Enterprise Coalition** held a seminar on public procurement in the ornate surroundings of the National Liberal Club off London's Whitehall. In his opening remarks the Coalition's chief executive, **Jonathan Bland**, welcomed the political and practical support that social enterprises were now receiving from governments. A survey recently carried out for the UK's Social Enterprise Unit showed that there are around 15,000 social enterprises in Britain, which provide nearly 500,000 jobs and have an annual turnover of €18bn. "Business is not just about building shareholder value – it can be used to serve social and environmental values in many ways. It's about really giving 'best value'," he said.

Alun Michael, the UK's **Minister for Industry and the Regions**, stressed the UK government's support for social enterprises as well as his own roots in the co-operative movement and as a youth worker in Wales. "Social enterprises are good for both competitiveness and cohesion. They need better visibility in the public and the private sectors," he said.

He noted that social enterprises are serious businesses with a growing role in delivering responsive services, and forming part of a very diverse wider social economy. And variety is a strength: "If we had as many women's enterprises in Britain as they do in America we'd have 750,000 more businesses", he noted. Nevertheless, the need was to put social enterprise across simply and effectively, as was being done on Social Enterprise Day on 17th November. As part of the UK's Social Enterprise Strategy this day aims to raise understanding of social enterprise and make it easier for social enterprises to access financial support and public procurement opportunities.

"Public contracts are worth €1,500bn a year across the EU, and social enterprises are under-represented among the contractors," he continued. "How can buyers be persuaded to pay attention to social and environmental goals as well as service delivery? How can the social enterprise sector better prove its capability?"

SOCIAL ENTERPRISE CAN BE BIG BUSINESS

For the European Commission, **Albrecht Mulfinger**, head of the unit dealing with co-operatives and mutuals at the **Enterprise DG**, pointed out that the social economy was good for cohesion, for local development and for the Lisbon agenda – but added that these benefits are not properly recognised. He stressed the scale of the sector, which makes up 8% of businesses and provides 10% of jobs. "There is not necessarily any conflict between profit and social value. There are many market leaders that are co-operatives," he said, "such as in the milk and meat sectors on Denmark or the co-operative banks in Austria, France, Germany and Italy. Forty of Europe's top 80 insurance companies are co-operatives or mutuals."

¹ EQUAL development partnership UKgb-59, see www.sepgb.co.uk

EU DIRECTIVES NO BAR

Florian Elmacora from the **Internal Market DG** noted that making public procurement represents 16% of the EU's GDP, so making it more efficient could have a sizable economic impact. "The proper application of the public procurement directive could reduce costs by 30%," he claimed.

The social services sector is growing as the population ages, he continued. The EU's member states are modernising social services through benchmarking, quality control and externalisation. Yet the EU does not force anyone to privatise anything – this is subject to subsidiarity. In fact the EU public procurement directives do not usually apply to social services. However the treaty principles – transparency, non-discrimination and proportionality – do apply. What the directives do insist on is that tenders must contain "horizontal specifications" – on other words you can set the objectives of a tender, but not the detailed operational details of how it should be delivered. A consultation held on services of general interest showed that clarification was needed, and some major studies will soon be launched.

GOOD PRACTICE FROM THREE COUNTRIES

The seminar considered presentations of three cases predating the EQUAL initiative that demonstrate different ways of structuring relationships between public authorities and social enterprises, and form a useful backdrop to EQUAL's work in this field.

- **STRASBOURG – CLEAR SOCIAL CLAUSES IN PUBLIC PROCUREMENT RULES**

Jean-Louis Doppler of **Relais Emploi Strasbourg** described the context of social procurement practice in France. Each year, some 250,000 public tenders are published in France, two-thirds of them, worth €115 billion, by local authorities. Deduction: 2/3 of opportunities are local. The French 'public markets code' was amended two years ago and its article 14 addresses integration and employment issues in conformity with the EU directive. This makes for transparency and allows all firms to bid for contracts on an equal basis. It provides that contracts can specify a requirement for a *process* of integration, but not a specific type of *integration enterprise*. Article 14 also allows public authorities to fix a percentage of disadvantaged people who must be included in a contractor's workforce, though this point could not be stretched so far that it made fair competition impossible. In practice, a figure of 40% seems reasonable in service contracts (which would typically be bid for by an integration enterprise) and 10% in works contracts (which would more often be bid for by a partnership between a conventional construction firm and an integration enterprise). Thus, the legislation actually makes for closer relationships between social enterprises and the conventional business world. Making use of this, *Relais Emploi* tries to involve employers' organisations in dialogue, as this can lead to higher placement rates of disadvantaged people.

Social enterprises in France take a variety of forms, including *entreprises d'insertion* (integration enterprises), *régies de quartier* (neighbourhood enterprises) and *GEIQs – groupements d'employeurs pour l'insertion et la qualification* (employers' groups for integration and qualification). One area where their presence is notable is in the renovation of social housing. The *Agence Nationale pour la Rénovation Urbaine* (ANRU), which has a programme to demolish and rebuild 250,000 housing units and renovate a further 400,000 by 2011, insists that its contractors adopt an 'integration charter'.²

Michel Sexauer described **Scoproxim**, an integration enterprise incorporated as a SCOP (workers' co-operative). It is in the market, it is economically viable, it integrates and qualifies its employees while taking their social problems into account, and it uses standard employment contracts. It thus helps its members to break the vicious circle of dependency. Its annual turnover is €1.7m of which €0.7m is borne by the European Social Fund. It employs 92 people – 19 staff and 73 workers in integration and has a roughly 50/50 gender balance.

² <http://www.anru-documents.com/pdf/Chartenationaleinsertion.pdf>

- **BRESCIA – SOCIAL CO-OPERATIVES, AN EFFECTIVE SYSTEM**

From Italy, **Flaviano Zandonai** from the national **Consorzio Gino Mattarelli** (CGM) explained how contracts between local authorities and social co-operatives contain unambiguous 'social clauses'. These provide for the integration of disadvantaged workers such as disabled people, drug addicts and ex-offenders. The contracts specify a "double product", that is they explicitly mention the outcome of integration as well as service quality. This type of contract has been in use since 1984, since before the law on social co-operatives of 1991, which shows that legislation is not needed to permit social clauses to be implemented.

Italy has a specific legal structure for work integration, the *cooperativa sociale de tipo b*, or 'B-type social co-operative'. There are now some 2,000 of these in existence, employing 28,000 disadvantaged people and turning over €1bn. They are supported by 200 or so *consorzi* (consortia), second-level co-operatives which may also have private bodies as members.

He was supported by Councillor **Fabio Capra** who told how **Brescia**, a prosperous town with a population of some 200,000 in Lombardy, had pioneered the use of contracts with social co-operatives in 1984, and exported the system to the rest of Italy. They are in place in such areas as parking enforcement and social services. A contract for green space maintenance, for example, will typically be a three-cornered arrangement, among the city's social services department, its parks department and the social co-operative. He reported that the system of specifying a "double product" not only reduces the cost of service provision, but also results in very high levels of customer satisfaction.

Carlo Fenaroli of the **Consorzio di Cooperative Sociale di Brescia** explained that the province of Brescia, with a population of about a million, has 140 social co-operatives employing 4,500 people and with about 1,000 volunteers, turning over in total €500m a year. His was the first consortium set up to serve them, but it has since restructured into a series of smaller specialist consortia. The co-operatives contribute not only an improved quality of life but also a financial saving – it is calculated that each person successfully integrated saves the public purse between €15,000 and €20,000 a year.

- **LIVERPOOL – THE POLITICAL BATTLE FOR SOCIAL PROCUREMENT**

From Britain **Sean Doran**, commercial director of the **FRC Group**, outlined their triple bottom line: financial success, social impact and environmental efficiency. Until six years ago, Liverpool City Council disposed of its waste via landfill contacts with multinational companies. Today, the FRC Group salvages "preloved furniture" while creating jobs for disadvantaged people. A linked firm, Create, rehabilitates and sells 3,500 items of 'white goods' furniture a year, 85% of which go to benefit claimants.

Setting it up was no easy matter. The council was initially sceptical, and it took three years of negotiation to agree a contract. Yet today it consistently outperforms its specifications, and the penalty clauses are not invoked. Throughput has risen to 200,000 pieces of furniture a year. The firm employs 25 disadvantaged trainees (against a target of 15), successfully places 94% of them in permanent jobs (against a target of 66%) and reuses or recycles 42% of the items it collects (against a target of 30%).

Councillor **Richard Kemp** told the story from the purchasing authority's point of view. The party in control, the Liberal Democrats, was determined to bring a new way of thinking into the way the council was run, but faced massive intransigence from the council's officers who interpreted the procurement rules narrowly and without imagination. It was a political battle that ended with some officials being sacked.

The council is now looking at what other services could be delivered more efficiently by social enterprises, such as home care, street cleaning and the management of public toilets. It is also training its staff and asking them to be conscious of what the priorities are and to think laterally in their attempts to meet them. One possibility would be to continue with a citywide contract but to insist on social enterprises in deprived areas, thus combining the efficiency of bulk buying with the efficiency of local knowledge.

ROUND TABLE DRAWS CONCLUSIONS

After lunch, the group divided into two for a workshop session, and the seminar rounded off with a round table discussion. **Rosa Wilkinson** of the UK's **Small Firms Service** and **Martin Sykes** of the **Office of Government Commerce** reported back on the success factors participants had identified:

- cost should not be the only criterion that is used
- positive experiences rely on strong political will
- networks and consortia are helpful
- social and environmental added value should be measured
- social enterprise is valuable as part of a diverse market
- early dialogue is helpful between user departments, procurement officers and social enterprises
- positive guidance is needed to encourage procurement officials to make use of the latitude the EU procurement directive allows
- prioritise – act where the impact is quickest, that is with local authority rather than national government contracting
- awareness is needed among councillors and their advisers (lawyers and senior officers) of what contract terms are social enterprise-friendly
- continue to share best practice across Europe

THE ATMOSPHERE IS IMPROVING

In debate, panellists agreed that a more positive atmosphere was developing in relations between public authorities and social enterprises. The awareness of the opportunities to improve service quality and help the weaker members of society was growing.

Nevertheless a lot needs to be done to raise the awareness and change the behaviour of lawyers and procurement officials. This calls for unambiguous guidance and political leadership, backed up by training. "For the last 25 years the procurement has essentially been about consolidation, but when you are talking about public services this is not necessarily a good idea," said Martin Sykes.

For **Eva Ternegren** from **Kooperativ Konsult** in Göteborg, some relatively simple procedural improvements, such as consulting in advance of tendering, and splitting up large contracts, would improve matters greatly. "One local authority in Göteborg saved 2.1m kronor (€220,000) just by dividing a housing renovation contract up into 31 lots," she said. She also advised authorities not to forget the option of direct contracting for sums below €200,000.

More for your Money

Copies of a short guide *More for your money: a guide to procuring from social enterprises* are available from the Social Enterprise Coalition at +44 20 7968 4893, officemanager@socialenterprise.org.uk, or can be downloaded from www.socialenterprise.org.uk.