

Public Social Partnership in Scotland

Lessons learned



Executive summary

Public Social Partnership (PSP) is a new approach to public service delivery. The most successful examples of PSP are founded upon a co-planning approach, whereby partners from the public sector and the social economy sector share responsibility for service design, in order to optimise outcomes for service users.

The Scottish Government has recognised the valuable role that social enterprises and voluntary organisations play in the delivery of public services in Scotland. The Scottish Government has emphasised that, for the public sector, the social economy sector's proven ability to innovate and experience in working with particular client groups can provide the opportunity for wider social benefit when the two work together to deliver public services. These wider social benefits represent social added value for the public sector, and have the potential to contribute to the attainment of Best Value.

With the ongoing development of Community Planning in Scotland, the EQUAL Social Economy Scotland Development Partnership (DP) provided funding and support to three PSP pilots. The approach adopted by the DP was influenced by ongoing development work in PSP and the experiences of co-planning in other European countries, particularly Italy. In the course of this work, the DP has sought to determine whether the approaches taken elsewhere could proffer solutions which could be used to address the challenges facing PSP in Scotland.

The Pilots

Across all three pilots, participants from both the public and the social economy sectors worked in partnership to design the services and (with the exception of the third pilot) organisations within the social economy were able to develop partnerships (social economy consortia) capable of competing for and delivering the service. In the case of the first two PSPs, this provided the public sector with the opportunity to consolidate pre-existing services into more manageable, user-focused packages.

North Lanarkshire

Homereach is a consortium of voluntary organisations and social enterprises which is collaborating with North Lanarkshire Council in a PSP pilot to design, develop and deliver a service to provide furniture packs to disadvantaged individuals and families living in North Lanarkshire, and to store and secure furniture left behind following on from failed tenancies.

Renfrewshire

Reaching Older Adults Renfrewshire (ROAR) is a consortium of voluntary organisations which is participating in a PSP pilot involving Renfrewshire

Council and NHS Greater Glasgow to design, develop and deliver low level social care services for elderly people living in Renfrewshire, with a view to reducing the need for high dependency services.

Edinburgh

Work to establish an Edinburgh Employability Consortium (EEC), which would bring together a range of organisations presently working across Edinburgh to provide employability support to disadvantaged client groups, has been unsuccessful. As a consequence, work is underway to consider alternative PSP opportunities which might yet see a third pilot emerge.

Lessons Learned

A key aim of this report is to draw upon the learning of those involved in these three pilots. Although the experiences of the participants vary from pilot to pilot, seven common lessons can be identified. These lessons have the potential to inform the approach, activities and processes employed in any future roll out of Public Social Partnership across Scotland.

Problem Definition and Solution

The overarching message to emerge from this evaluation is that participants of PSP within both sectors must buy in to a shared problem definition and solution.

In the case of the North Lanarkshire pilot, the local authority identified a need for an efficient furniture service. The three organisations involved in the social economy consortium considered how they might be able to offer a solution to this problem and, at the same time, provide social added value to the public sector. In contrast, one of the key challenges faced by the Edinburgh pilot has been a lack of clarity of in the problem definition, which has made it difficult for agencies to assume ownership of the problem. As a consequence, partners from both sectors were unclear as to what exactly they would be buying into within the Edinburgh PSP.

Public Sector Champion

From the pilots, it appears that as an innovative and therefore somewhat riskier approach to public service delivery, PSP needs to have high level public sector support. Ideally this should exist in the form of champions, namely civil servants and senior officers, elected members and representatives. It is essential that these individuals are embedded in the relevant public sector agency, that they buy into the concept of PSP and that they have the capacity to draw upon a broad base of support within their own organisation.

The existence of champions is one of the critical success factors in North Lanarkshire, where there buy in and support for the PSP has been achieved

across the local authority. The absence of this kind of championing has been one of the key factors limiting the progress of the Edinburgh PSP.

Culture change

Whilst the public and social economy sectors appear to take a favourable view of the concept of PSP, in a practice, it is apparent that there is a need for culture change within both sectors. The co-planning approach, the method recommended by this evaluation, requires participants in both sectors to enter into partnership as equals. There have been times, within all three pilots, where the importance of this, and the time it takes to make this happen, has been underestimated.

It is essential that both sectors have a clear and shared understanding of the outcomes sought from the process. This requires that they share information and establish protocols and processes that allow for joint service design. One of the factors which limited progress in the case of the North Lanarkshire pilot was that there was a lack of interaction between the service design and steering groups at the start of the process. They were simply not meeting and sharing information on a regular basis.

The degree of culture change required extends to attitudes towards funding and resources. The public sector must adopt an “invest to save” approach and the social economy sector should seek to “invest to gain”. With respect to designing services, both must assume a full cost recovery approach; otherwise, the resulting services will not only be unsustainable but the notion of competition will be undermined, as the private sector is unlikely to compete for contracts which require the supplier to operate at a loss.

Scale and scope

Issues of scale and scope exist at two levels. Part of the initial problem with the Edinburgh pilot was that the scale of the PSP was very large. Partly, this was because the problem had not been clearly defined, and as a consequence the scope of the PSP was too wide ranging. This meant that any consortium capable of delivering the service would be likely to have as its members a sizable and disparate group of social enterprises and voluntary organisations, providing an array of services to an incredibly diverse client group. In reality, this proved unmanageable and made it difficult for any one public sector agency to take the lead as purchaser. In contrast, the Homereach and ROAR pilots have focused upon developing very specific services to meet the needs of clearly defined client groups. In both cases, this has resulted in the establishment of consortia capable of delivering the proposed services.

The issue of scale is also of relevance for low value, well defined problems because the level of investment and resources required to develop and support a partnership cannot realistically be disproportionate to the value of that contract, i.e. the cost of partnership working needs to be proportionate

to the value of the contract for that service. The undertaking of carefully considered options appraisals by public sector agencies should address this problem, as it ought to be apparent where the cut off point rests on a case by case basis.

Capacity building and development support

In the case of all three pilots there has been a clear need for training, capacity building and development support for participants within both sectors. If PSP projects are to realise their full potential then it is likely that support elements, such as these, will need to be factored into the PSP process.

Communication and relationship building

Good communication and relationship building within and between the sectors has proven invaluable. One of the key success factors for the North Lanarkshire pilot (Homereach) has been the level of buy in at a senior level within the local authority. In the case of the Renfrewshire pilot (ROAR) good communication and efforts to nurture relationships between operational staff (at an earlier stage in the process than was the case in the North Lanarkshire pilot) can be seen to be reflected in the smooth transition to a new delivery method.

Time and resources

Perennial issues to do with time and resources exist in the public sector and social economy sector alike. These have the potential to limit the effectiveness of projects and PSP is no exception. For many of the participants, it is clear that the experience of participating in the pilots has been a rewarding one, but that the time taken to achieve progress has been markedly longer than expected.

If the level of resource investment is to be proportionate to the value of the resulting contract then it is clear that participants of future projects will require to determine whether each opportunity under consideration merits the allocation of resources required to support it. For public sector agencies, this means that they will have to determine whether they will realise value from employing a co-planning approach, and whether they stand to make efficiency savings as a consequence of suppliers using the consortium model. For social enterprise and voluntary organisations it will mean working out whether they stand to gain as a consequence of their involvement in such projects to a degree sufficient to justify an investment of their resources.

Following on from the service design phase, which has in all cases taken longer than anticipated, the services were introduced in North Lanarkshire and Renfrewshire on a trial basis. Given the length of time it takes to initiate the co-planning approach (for first time participants certainly) and to inform

procurement processes, following on from the experience of piloting the services, it is recommended that PSP projects run for a minimum of two years. This provides the time for participants to address any design issues, and for improvements to performance resulting from the impact of any adjustments to activities, to be properly reviewed, evaluated and factored into the service design and the associated tender.

The Way Forward

The evaluation identifies a number of benefits in using the co-planning approach and in employing the consortium model to support the attainment of social added value in public services. It is therefore a strong recommendation that funding for, and the provision of, training and capacity building forms the backdrop of any policy and activity to stimulate the development of PSP in Scotland.

Based upon the evaluation's findings, a series of recommendations are made to key stakeholders that, if implemented, could ease the process of co-planning services and consortia development, and have the potential to enhance the prospects of success for PSP. The key recommendations are:

- To support the development of a programme of 10 to 12 public social partnership pilots to further test and refine the approach within a Scottish context. This programme should focus on the outcome of improving public service delivery.
- To create a Public Social Partnership Development Partnership involving key stakeholders from the Scottish Government, local authorities, public sector agencies and the social economy sector to oversee the roll out of the public social partnership model and to disseminate the results.
- Consider the introduction of ambassadors (social economy and public sector champions) to promote the concept of PSP and to support the role of pilot PSP projects.
- Consider and encourage opportunities for strategic procurement which take account of the potential for social added value and the potential for pooled budgets, and include explicit criteria to take account of social elements within tenders. This should be undertaken in a manner which is proportionate and appropriate to the subject matter of the contract.
- Social enterprises and voluntary organisations should focus on consortia development as a key tool for use in seeking to engage with the changing public service delivery market.

The full report can be downloaded from the following locations:

<http://www.socialeconomyscotland.info>

<http://www.forthsector.org.uk/resources.htm>

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1. Introduction

Purpose

Public Social Partnership (PSP) is a new approach to public service delivery. It originates in Italy and refers to instances when the public and social economy sectors are both involved in co-planning the development, design and delivery of services with a view to improving the outcomes for service users.

Co-planning involves the public sector and the social economy sector, as equal partners in the design, development and delivery of a service that the public sector is seeking to commission. This work is undertaken with a view to introducing that service on a pilot basis in order to inform the shape of a tender for that service. Co-planning allows service users a voice in shaping the services they receive and provides the public sector with a mechanism to improve public service delivery. The key driver is to improve the outcomes for end service users. Once the service has been piloted and fully evaluated (with any corresponding requirement to reshape design to improve outcomes carried out) the service is then put out to tender.

The Social Economy Scotland Development Partnership (The Scottish DP),¹ which is funded through Round 2 of the EU's EQUAL programme, has been at the forefront of this work in Scotland. This report is concerned with the lessons that can be learned from three Public Social Partnership² pilot projects, which the Scottish DP commissioned with a view to piloting the co-planning approach within Scotland.

The three pilots were to take account of the expertise and experience of the Social Enterprise Exchange Network (SEEN)³ who are the DP's transnational partners (through EQUAL). The pilots primarily modelled themselves upon the Italian approach given their track record in partnership working. The DP also sought to consider the Scottish policy context in relation to public service delivery, and the implications that this might have for these sectors in seeking to partner in this way within Scotland.

The Scottish DP commissioned Forth Sector⁴ to evaluate the pilots. The goal has been to identify key lessons that could be learned as a consequence of

¹ SCVO, Careers Scotland, Communities Scotland, Forth Sector, Highlands and Islands Enterprise, Scottish Enterprise, Scottish Centre for Regeneration, Social Firms Scotland, Social Investment Scotland, Scottish Social Enterprise Coalition, Volunteer Development Scotland, North Lanarkshire Council

² Public-Social Partnership (PSP) is the term that has been adopted by the Scottish DP to describe a co-planning approach to public-service delivery.

³ SEEN Development Partnerships comprises of Social Economy Scotland together with other Equal-funded in Italy (Reti.Qu.AL), Finland (HOT DP) and Poland (Krakow Initiative for Social Economy – COGITO).

⁴ Forth Sector is a member of the DP and a leading Scottish social enterprise. Forth Sector Development is one of 8 social firms operated by Forth Sector. It has had a dual role in the project undertaking work in respect of development and evaluation.

operating the three pilots and to raise awareness of the benefits and challenges involved in PSP.

This report aims to:

- provide those working in the public and social economy sectors with background information about PSP and the three pilots
- draw out lessons learned from the 3 Public Social Partnership (PSP) pilots in Scotland, in North Lanarkshire, Renfrewshire and Edinburgh
- draw in lessons learned from transnational partners involved in the Social Enterprise Exchange Network (SEEN)⁵
- consider these lessons in relation to the current policy agenda for procurement
- make key recommendations to inform the roll out of PSP in Scotland
- feed into the external evaluation of EQUAL Round 2.⁶

Background

The potential for social added value in the attainment of wider social benefits through procurement is one of the primary reasons for considering PSP in public procurement.⁷ In 2002, The Scottish Executive's Procurement Directorate participated in a research project via The Joseph Rowntree Foundation (JRF) to consider the potential for community benefit clauses⁸ to encapsulate elements of social added value within public procurement. Following on from this work, the Directorate launched 5 pilots, in conjunction with 3 local authorities and 2 registered social landlords, to explore the challenges and benefits of applying these clauses in practice. This work focused upon the use of clauses to deliver for targeted training and recruitment provision within capital projects.⁹

In Round 1 of the EQUAL programme, the then DP produced a guide, 'Tendering for Public Sector Contracts' for the social economy and delivered

⁵ SEEN comprises of Social Economy Scotland together with other Equal-funded Development Partnerships in Italy (Reti.Qu.AL), Finland (HOT DP) and Poland (Krakow Initiative for Social Economy – COGITO)

⁶ This is being conducted by Paul Zealey Associates (PZA)

⁷ Better Value: Purchasing Services from the Social Economy (Communities Scotland, 2007) Pg. 20

⁸ Achieving community benefits through contracts: Law, policy and practice (Richard Macfarlane and Mark Cook, Joseph Rowntree Foundation, December 2002)

⁹ Targeted Recruitment & Training in Public Procurement (Scottish Procurement Directorate, Publication pending)

training to support the sector in its efforts to compete for public sector contracts.¹⁰ Under Round 2 of EQUAL, this guide was updated and the DP has gone on to embrace public procurement as a general theme in order to:

- address some of the knowledge gaps that exist
- raise awareness of PSP as a concept
- inform procurement policy, as well as the service commissioning and procurement process, through publications.

The new EU Services Directive¹¹ made explicit the ways in which the procurement process requires public agencies to take account of EU rules on procurement and has set out the mechanisms by which public sector agencies can take account of social and environmental considerations within contracts.

The introduction of such mechanisms has the potential to deliver wider social benefit through procurement, by taking into account the potential for social added value within tenders. These mechanisms could therefore be employed by public sector agencies in order to attain Best Value. Taken together with the emergence of the Community Planning Partnerships, which aim to involve stakeholders in the service design process, and the Italian DP's experience of the co-planning approach, the Scottish DP was convinced that it needed to take a more strategic look at the social economy sector's potential to engage in public service delivery. The pilots provided a means to do just this.

Participants

The pilots involved participants from the public and social economy sectors at three separate locations, in three different fields.

1. Homereach (North Lanarkshire)

The service provides for furniture collection, storage and delivery throughout North Lanarkshire. North Lanarkshire Council (NLC) had been involved in EQUAL Round 1. This experience of working with transnational partners left them with a good impression of the co-planning approach which is widely used throughout Italy. Community Recycling Network Scotland (CRNS) provided development support on the basis of their expertise in the field of recycling and reuse. The original idea was to operate a pilot in North Lanarkshire with a view to rolling that out to other local authority areas. By June 2006, it became clear that the process of PSP development would take longer than anticipated and the decision was taken to focus solely upon the North Lanarkshire pilot.

¹⁰ Tendering for Public Sector Contracts (Scottish Government, June 2004)

¹¹ Directive 2006/123/EC of The European Parliament And Of The Council (Official Journal of the European Union, L 376/36, 27.12.2006)

2. Reaching Older Adults across Renfrewshire (Renfrewshire)

The service provides low-level care to elderly people in Renfrewshire on behalf of Renfrewshire Council and NHS Greater Glasgow. The original plan was for the pilot to provide services to four client groups: the elderly, people with mental health problems, young people and the unemployed. RCVS was approached by Renfrewshire Council's social work department to support the redesign of services for the elderly and identified PSP as the best method for doing this.

3. Edinburgh Employability Consortium (Edinburgh)

Forth Sector, through its work in Social Enterprise Edinburgh (SEE), was commissioned by the Capital City Partnership to investigate the potential for consortium development in the fields of employment and childcare. This was the basis of the third pilot, the Edinburgh Employability PSP. The ambition was to provide a holistic service to cater for those most at a disadvantage within the labour market. This project began much later than the other two and, after discounting the original service design, is still in development.

Forth Sector's Role

Forth Sector has assumed a supplementary development support role in respect of the first two pilots and played a key role in the third, as well as undertaking an evaluation of the processes involved in all three pilots.

2. Methodology

The purpose of this report is to disseminate the lessons learned from the experiences of the three pilots which sought to adopt the Italian method for Public Social Partnership, namely the co-planning approach and consortium model, within Scotland.

The findings are based upon a study of the Italian experience and the experiences of participants involved in the three Scottish PSP pilots.

More specifically, the report has sought to:

- identify elements of success associated with Italian method
- tease out those factors which act as enablers to the achievement of success with respect to the Italian system
- to consider the main differences in context between Scotland and Italy, which might have a bearing on the adoption of the Italian approach and implementation of the consortium model within Scotland
- take account of the practical experience of those participating in the pilots to evaluate the process of consortium development for PSP within Scotland.

Parameters

It is important to be clear that this evaluation is not concerned with the performance of the services themselves. Rather, it takes account of the participants' comments about the lessons that they stated that they had learned in the course of the pilots in order to identify potential barriers to adopting the Italian approach within Scotland. Neither does the report set out to evaluate the Scottish policy context in relation to public procurement within Scotland, instead it focuses upon what bearing that policy environment might have in relation to the approach and model in question.

Approach

A range of instruments have been employed to gather evidence to enable an informed analysis to be made. On this basis, the report draws inferences about the suitability of the approach and model outside of Italy, and sets out how opportunities particular to the Scottish context might be employed to this advantage. It also identifies some of the challenges that might limit the effectiveness of the co-planning approach and consortium model for PSP projects within Scotland.

Primary Research

The Italian Model

Members of staff from Forth Sector Development (FSD) attended a two day event held in Turin to hear from speakers about the experiences of PSP from Italian, Scottish, Finnish and Polish perspectives and to participate in workshops to discuss the potential for PSP.¹²

FSD also conducted semi-structured interviews with representatives from two Italian social enterprises about their perceptions of PSP:

- 19.10.06 Social Cooperatives Network: DROM(national consortium)
Sergio D'Angelo (Presidente)
- 20.10.06 Social Cooperative: Alce Rosso (member of a small consortium)
Dr. Andrea Ardisone (Presidente)
Dr. Vittoria Burton (Responsabile Pedagogica)

A copy of the questions posed and a summary analysis (which takes into account the presentations and interview responses) is included within Appendix. 10.1.

The Scottish Experience of Piloting the Italian Approach to PSP

A series of focus groups and semi-structured interviews were conducted with representatives from the social enterprises, voluntary organisations and public sector agencies participating in the pilots about their experience of (and views on) PSP:

Renfrewshire Council/ ROAR

- 26.01.07 Procurement Corporate Group
- 15.02.07 Service Design Group

North Lanarkshire Council/ Homereach

- 06.12.07 Steering Group
- 01.03.07 Service Design Group

Edinburgh/ Edinburgh Employment Consortium

No focus groups or interviews were conducted as the pilot did not progress to the stage of service design and consortium development. Instead, the chapter

¹² 'Social Clauses in Public Procurement: Good Practices from Finland, Italy, Poland and Scotland' (SEEN, 2007)

on the Edinburgh pilot captures the views of the development agent (Forth Sector) and key stakeholders.

Summary analyses of the findings are included within Appendix. 10.2.1.

A survey was undertaken to elicit participants' perceptions of the PSP process and model in relation based upon their experience of and role in the PSP pilots.

Each participant had their role classified as 'Service Provider', 'Purchaser' or 'Other' which allowed for three standard questionnaires to be issued across the pilots (ROAR and Homereach) to ensure that the standard of measurement was consistent. In so far as possible, the questions employed across all three categories asked participants about the same topics save for minor changes to language to take account of the shift in role. However, in the case of the questionnaire to 'service providers' 2 additional questions were posed and 5 standard questions excluded, and in the case of 'other'/'purchaser' 5 additional questions were included.

The questionnaires prompted participants to rate the degree to which they agreed with a range of statements (ranging from 36 to 38 depending upon their role) and to provide qualitative responses in respect of a further 10 questions (9 in the case of service providers). A list of questions is included within and a summary analysis of the responses is provided within Appendix. 10.2.2.

Secondary Research

Policy Documents

A range of policy documentation, research and guidance was used to inform an analysis of the public and social economy sectors, and to enable the evaluation to place in context the participants' responses. (See bibliography for details - Appendix. 10.5).

Pilot Outputs

The evaluation also made use of a range of information provided by participants throughout the course of the pilots – including minutes, briefing papers and reports.

3. Context

The Scottish Government¹³ has indicated that it recognises the role that social enterprises and other social economy organisations might play in helping to achieve its vision of world class public services for the people of Scotland by achieving social added value through procurement.¹⁴

"Contracting or working in partnership with social enterprises and voluntary 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."¹⁵

In the recently released social enterprise strategy,¹⁶ The Scottish Government outlines a range of opportunities for PSP. The public sector reform agenda is developing parallel to these opportunities and has the potential to support and enhance the prospects for PSP. Within the social enterprise strategy, the Scottish Government acknowledges that for Scotland to realise the full potential of PSP there are a number of barriers that require to be addressed.

The Process for Public Procurement

Given the scale of the public sector, and the vast array of services it provides, it is impossible to present a generic process for procurement or to set out, the method by which specific organisations operating within the public sector might go about procuring services and goods from suppliers. However, there are a number of common elements which are taken into account within the procurement process. The diagram on the following page sets out the basic elements of a generic procurement process. Although it is difficult to be definitive about the activities involved in each discrete element, there are in fact a number of factors that influence the market as a whole and, consequently, act as the governing principles behind the approaches taken.

¹³ The recent (May) elections saw a change in government which led to the name The Scottish Government in place of the former Scottish Executive. For ease of use, the term The Scottish Government is used throughout the main report.

¹⁴ Communities Scotland (2007) Better Business: A strategy and Action Plan for Social Enterprise in Scotland Crown Copyright: CSCC0564

¹⁵ Communities Scotland (2007) Better Value: Purchasing Public Services from the Social Economy

¹⁶ As per footnote 14.

The Procurement Process

Develop a strategic plan

The public agency should have or be in the process of developing a strategic plan that links their vision, purpose, values and strategic aims/objectives into the statutory powers they possess and the wider impact that they wish to have.

Good practice within the public sector is seeing the development of Corporate Social Responsibility strategies underpinning the strategic plan.

Options appraisal

Where goods are required or a service has been designed then an options appraisal is carried out. This options appraisal is founded on Best Value. A business case for the option chosen is then developed. At this point a decision is made over whether to procure the goods or services externally.

This options appraisal is often the interface period between service commissioners and procurement officers as decisions are made about how Best Value can be secured.

Develop a procurement strategy

If the decision is made to purchase externally, the public agency should develop a procurement strategy to secure the outcome and impact agreed.

Most public agencies are or have developed overarching procurement strategies. Good practice stresses the link between the core aims and objectives of the public agency and the purchasing decisions it makes.

Develop the specification

A specification is developed for the goods or services to be purchased. The timeline for the procurement process is agreed.

This process should involve both service commissioners and procurement professionals and may involve further market research to identify best practice and innovation within the area of purchase.

Advertise the contract

Tenders are advertised in a variety of ways according to the policy of the public agency and compliance with EU and national regulations.

There is a growing move to advertise public sector contracts online via portal sites. This ensures greater transparency and non-discrimination and compliance with the legal requirement in Scotland for adequate publicity for contracts.

Pre qualification questionnaire (PQQ)

Many public contracts now require a pre-qualification questionnaire (PQQ) to be completed. The information required assists the public agency to assess the technical capability and financial capacity of interested parties.

The PQQ process allows the public agency to efficiently select suppliers capable of delivering the goods or services required. These will often be based on the core PQQ (<http://www.scotland.gov.uk/Topics/Government/Procurement/Selling/QualificationQuestion>)

Invite tenders

Qualified suppliers are invited to tender. The Invitation to Tender (ITT) will detail the service specification, the criteria used for decisions on tendering and the timescale for the process.



Evaluate tenders

The public agency then evaluates the tenders submitted against the specific criteria associated with that tender. Certain elements will be standard such as the achievement of value for money although the weightings and additional criteria will vary from one tender to another.



Award the contract

The contract is awarded to the supplier whose bid is judged to represent Best Value – this is the most economically advantageous tender (MEAT) that meets the selection criteria.



Debrief

Suppliers that are unsuccessful at either PQQ or tendering stage can request a debrief. To allow sufficient time for appeal, for high value contracts (i.e. those above a recognised EU threshold) a standstill rule (also known as the Alcatel Rule) applies, whereby work must not begin on the contract for a period of at least 10 days. Whilst these rules do not apply to lower value below-threshold procurements, it is often considered good practice by purchasers to build in a standstill time to ensure that ample opportunity is given to unsuccessful bidders to appeal.



Manage the contract

The supplier's performance is checked and monitored according to the terms of the contract.



Review and test

The need for the contract will be reviewed regularly. This review will help to prepare for future service requirement. After a set period of time the contract may be advertised again. The principle of transparency means that there are limits on contract length. Some contracts may be longer where significant upfront investment is required to service the contract.

Regulatory Environment

EU Regulation

The Public Contracts (Scotland) Regulations 2006 provide clear guidance on the requirement to give adequate publicity to all public tender opportunities for works, goods and services and to ensure that procurement practice in Scotland complies with the EU Services Directive,¹⁷ UK and Scots law. The EU Directive sets out procedures for use across the EU, and includes requirements for open and objective criteria for the evaluation of tenders and the selection of contractors. Furthermore, it gives guidance about when and how public agencies might take account of social and environmental considerations during the processes involved in the design of and decision-making associated with a tender and the subsequent award of a contract.

National Regulation

The regulatory environment around procurement is complex. Responsibility for public procurement policy in Scotland is devolved to the Scottish Ministers. These Ministers exercise that responsibility through the Scottish Procurement Directorate (SPD). In addition, the Office of Government Commerce (OGC) is responsible for exercising procurement policy on behalf of the UK Government. Both the SPD and OGC issue a considerable amount of guidance to help public sector agencies ensure that they are aware of what they should (and should not) be doing with respect to buying good and services.

Responsibility for procurement is devolved because there are some marked differences between the powers and duties associated with public sector agencies in Scotland and those in the rest of the UK – particularly with respect to local authorities. As such, where guidance from the Scottish Procurement Directorate exists this takes precedence over that of the OGC within Scotland. The overriding point of reference for procurement rules in Scotland is The Public Contracts (Scotland) Regulations 2006.¹⁸ Appendix 10.5 contains a list of resources which sets out the requirements, technicalities and opportunities associated with procurement.

Procurement Policy

Best Value (BV) is one of the governing principles of public procurement within Scotland. It refers to the duty placed upon local authorities¹⁹, and other public sector agencies, to continually strive to deliver Best Value.

¹⁷ Public Procurement Directive 2004/18/EC and the Utilities Directive 2004/17/EC

¹⁸ The Public Contracts (Scotland) Regulations 2006 Queen's Printer for Scotland, TSO

¹⁹ Local Government in Scotland Act (2003) (ASP1), Queen's Printer for Scotland, TSO (Part 1: Best Value and Accountability)

Best Value requires that options are appraised on their merits with a fair and robust assessment of their potential to deliver the best outcomes. In order to achieve Best Value it is anticipated that a wide range of organisational types (including those operating in the private and social economy sectors) will be involved in service delivery. Best Value guidance to local authorities lists the key characteristics associated with a best value organisation, these include:

- a contribution to sustainable development which gives consideration to social, economic and environmental impacts of its activities
- a commitment to partnership working to contribute to better services and more customer focused outcomes
- a demonstration of responsiveness and consultation (this also applies with respect to the public sector's dealings with the community and voluntary sectors)
- a culture which recognises and encourages equal opportunities

Under the Best Value regime, public sector agencies must account for their procurement decisions in accordance with their prescribed duties and responsibilities. The attainment of BV in the procurement of public services depends on the existence of a competitive and high quality supplier base.²⁰

It is clear that the Scottish Government intends to make good on its goal of world class public services and has put in place a number of building blocks to achieve this. It is likely that over time these developments will lead to a mixed economy of supply, opening up the market to the private sector, social enterprises and community/voluntary organisations alike.

Value for Money (VfM) through competition is at the heart of public procurement because it is the responsibility of public sector agencies to ensure that public money is used wisely, fairly and transparently. As such, the procurement of goods and services by the public sector should achieve value for money for the entire duration of the process – that is to say that public sector agencies must take into account the whole life costs associated with a purchase.²¹

²⁰ McClelland, J.F. (2006) Review of Public Procurement in Scotland; Report & Recommendations Edinburgh: ISBN 0-7559-4999-4

²¹<http://www.scotland.gov.uk/Topics/Government/Procurement/PublicProcurement/ProcurementPolicy/Manual>

"The prime objective of Government procurement is to achieve value for money (VFM). Best VFM is the optimum combination of whole life costs and quality to meet the customer's requirement."²²

In order to achieve Best Value for Money, a balance must be struck which allows the purchaser to achieve an optimal mix of cost and quality. This means that the services or goods purchased represent value for money and are fit for purpose.

The Suppliers' Charter

The Scottish Procurement Directorate has issued a Suppliers' Charter²³ (a joint statement from the public sector, private sector, social enterprises and voluntary organisations) acknowledging the need for a varied and competitive marketplace which provides for opportunities for Small and Medium Enterprises (SMEs).

The Charter promotes the facilitation of access to public sector procurement opportunities and provides for the simplification and standardisation of processes associated with procurement. It also gives due recognition to the need for consistency in evaluation, as well as stressing a commitment to a fair and open approach to tendering overall.

National Policy Context

The Scottish Government's vision is one of world-class public services based upon the principles of Continuous Improvement, Best Value and Value for Money. The concept of procurement as a key driver in public sector reform is reinforced by the public procurement reform programme/ agenda, which is based upon a recent review of public procurement (known as The McClelland Report),²⁴ which stresses the potential for procurement to enable the achievement of strategic objectives across the sector, and to help public bodies to achieve Best Value and Efficient Government.

The Review gives a thorough critique of existing practice and policy. Its conclusions are that that procurement practice across Scottish public sector agencies at present is inefficient and inconsistent. It makes clear the scale of investment required to sufficiently resource, train and empower procurement professionals in order to raise the standard of procurement practice across

²² The Scottish Procurement Directorate's Policy Manual (2006) (9. Value For Money)

²³ <http://www.scotland.gov.uk/Topics/Government/Procurement/Selling/Supplierscharter2>

²⁴ McClelland, J.F. (2006) Review of Public Procurement in Scotland; Report & Recommendations Edinburgh: ISBN 0-7559-4999-4

the sector as a whole. Much of the good practice that is beginning to emerge within the sector, at present, is a result of this work.

Efficient Government

The Efficient Government initiative (launched 2003) aims to streamline government processes and to achieve savings for the public purse. The intention is to redirect these savings towards frontline services. In this vein, a new fund has been established to provide for a range of invest-to-save projects across the public sector.

Inline with the Efficient Government Initiative and the public procurement reform programme, some significant changes are taking place in public procurement. These changes include collaborative purchasing, which sees public sector agencies coming together to buy goods and services, in order to give the public sector more purchasing power and to reduce duplication, with the ambition being to achieve economies of scale resulting in cost savings and greater efficiencies.

The McClelland Report acknowledged that collaborate buying is in some cases inappropriate and consequently a classification system has been introduced based upon the nature of goods or services purchased. The categories for which the review recommends collaborative purchasing are Category A (national contracts) and Category B (sector specific contracts). A further category C was introduced to take account of purchases by a single entity where no benefit is to be obtained through aggregation. A subcategory (C1) also exists. It refers to local and regional contracts where the nature of the contract does not merit the level of consolidation provided for under Category A or B but where purchases might be consolidated within a region (or locality) where it is deemed to be beneficial.

These developments have implications for Public-Social Partnership as they have the potential to change the shape of the market by influencing the scale, shape and value of contracts on offer. It is worth noting that some services, particularly those which social enterprises and voluntary organisations might be interested in, could realistically fall into category B. However, given many social enterprises and voluntary organisations are small scale initiatives, it is likely that their focus will be on bidding for Category C and C1 contracts. The classification of the types of services and goods that social enterprises and voluntary organisations could supply will largely determine the nature of opportunities for to PSP.

The Efficient Government Initiative has also stimulated technical change in the approach taken to procurement through the creation of seamless electronic systems enabling purchasers (where appropriate) to manage

procurement from purchase through to payment (usually referred to as P2P).²⁵

These changes have quite important implications for the manner in which purchasers and suppliers communicate and interact²⁶. Social enterprises and voluntary organisations will require to take account of new methods in procurement, in the same manner as private sector companies might, in order to be able to compete effectively and win business. In Scotland, there is a requirement to ensure adequate publicity to tender opportunities above the value of £20,000.

Community Planning

The Local Government in Scotland Act (2003)²⁷ saw the introduction of Community Planning, a new duty upon placed upon local authorities requiring that they work with communities to plan and ultimately deliver better services.

The arrangement provides for a framework of Community Planning Partnerships (CPPs) to enable local authorities to engage with communities about the services they receive. The CPPs are still largely in the developmental stage but their influence is expected to increase as the framework matures and beds down. These fora could provide the basis for the co-planning approach to help develop services which benefit from cross-sectoral experience and service user input.

The Power to Advance Wellbeing

The Local Government in Scotland Act (2003)²⁸ gave local authorities a new power to advance wellbeing enabling them to do all that they are can (within the scope of their powers) to advance the wellbeing of the area and of citizens for whom they are responsible. There is still little information or guidance about the nature of what might constitute 'wellbeing' or how that power might be employed. However, in the section below, entitled 'Opportunities for PSP', the potential to use this power to achieve social added value through procurement is explored more fully.

Social Policy

The Scottish Government acknowledges that poverty, unemployment, poor health, poor housing, poor transport and a lack of skills are still major issues that need to be tackled in many communities. Successful regeneration strategies, which aim to address these issues have at their heart community

²⁵ <http://www.eprocurementscotland.com/>

²⁶ Scottish Government: New and Revised Efficiency Technical Notes for March 2007 ISBN 978 0 7559 1485 2

²⁷ Local Government in Scotland Act (2003) (ASP1), Queen's Printer for Scotland, TSO

²⁸ Local Government in Scotland Act (2003) (ASP1), Queen's Printer for Scotland, TSO

involvement - particularly as the Community Planning Partnerships are set to grow in strength and develop. PSP could provide a vehicle for public sector agencies to engage communities in shaping and designing the services that are required to tackle the deep-rooted issues within their communities.

Opportunities for Public Social Partnership

Taking Account of Social Issues in Purchasing

The inclusion of social requirements within tenders and contracts provides the opportunity to take into account social and environmental matters within contracts to supply goods, services or works where these requirements would perhaps not conventionally have been included as measured outcomes. By virtue of the new EU Services Directive, there are two tools available to achieve this, namely reserved contracts and social clauses.²⁹

Reserved Contracts

“Member States may reserve the right to participate in public contract award procedures to sheltered workshops or provide for such contracts to be performed in the context of sheltered employment programmes where most of the employees concerned are handicapped persons who, by reason of the nature or the seriousness of their disabilities, cannot carry on occupations under normal conditions.”³⁰

Social and Environmental Clauses

“Contracting authorities may lay down special conditions relating to the performance of a contract, provided that these are compatible with Community law and are indicated in the contract notice or in the specifications. The conditions governing the performance of a contract may, in particular, concern social and environmental considerations.”³¹

The cautionary exercise of these provisions within Scotland to date is because there is a lack of clarity about the legalities of employing these tools and a lack of awareness of how to do so. That is not to say that there are not other factors influencing the reticent uptake of these provisions but, when a public

²⁹ The glossary contains details of terminology surrounding community benefit/ social/ environmental clauses.

³⁰ European Commission (2004) Directive 2004/18/EC: Article 19 (Reserved Contracts)

³¹ European Commission (2004) Directive 2004/18/EC: Article 26 (Conditions for performance of contracts)

sector body has already elected to use one of these tools, it is clear that there is very little precedent with respect to their application.

Recent guidance from the Office of Government Commerce (OGC), an office of HM Treasury responsible for improving Value for Money by driving up standards and capability in procurement, acknowledges the potential to achieve social added value through the consideration of social issues in purchasing and provides some clarity around the application of the EU Directive in respect of both tools.³² The Scottish Procurement Directorate (SPD) has recently released its own guidance on social issues in purchasing³³ and is expected to release a further paper including recent case studies based upon a series of pilots involving social clauses for targeted recruitment and training.³⁴

Realising Social Added Value

Social enterprises and voluntary organisations are well placed to help public sector agencies to progress their strategic objectives. They are in a good position to fulfil criteria associated with social requirements because unlike many other business models, organisations in the social economy usually place an emphasis upon working with disadvantaged or complex client groups, and have an excellent track record for innovation.³⁵

The Scottish Government gives recognition, within The Better Value Guide, to the valuable contribution social enterprises and voluntary organisations can make across a range of public services, and the potential they offer purchasers by working cross-departmentally to achieve social added value:

"Contracting with the social economy enables purchasers to meet more than one objective through purchasing decisions."³⁶

Recognising Social added value

Clearly there are incentives within the public sector to consider the inclusion of social issues within procurement so that spending achieves Best Value for Money in line with public sector agencies' stated strategic objectives and the needs of service users.

³² Social Issues in Purchasing; OGC (2006) Supported Factories & Businesses: OGC guidance on reserved contracts in the new Procurement Regulations (Office for Government Commerce, 2006)

³³ Scottish Procurement Directorate (2007) Scottish Procurement Policy Note SPPN 6/2007

³⁴ Scottish Procurement Directorate (anticipated publication date 12/07) Targeted Recruitment & Training in Public Procurement

³⁵ Communities Scotland (2007) Better Value: Purchasing Public Services from the Social Economy (Pg. 19 & 20)

³⁶ Communities Scotland (2007) Better Value: Purchasing Public Services from the Social Economy (Pg. 20)

Some social firms will be able to satisfy the criteria set out for reserved contracts, i.e. 50% of their workforce is recognised as disadvantaged in the labour market. However, the majority of social enterprises and voluntary organisations vying for public sector contracts will not satisfy the requirements for reserved contracts. Therefore, it would seem reasonable to assume that social clauses represent the most appropriate means to take account of social issues in purchasing.

In order for a public sector agency to take account of the potential for social added value, if the reserved contracts mechanism is not used, the evaluation criteria associated with a tender must give recognition to the potential for social and environmental considerations.

Procurement staff must, in conjunction with commissioners, ensure that:

- the use of community benefit clauses in contract conditions is made mention of within the OJEU notice issued by the contracting authority
- it is explicitly stated that the method of award is on the basis of Most Economically Advantageous Tender (MEAT) and not Lowest Price.
- the business case is made for inclusion of a social or environmental clause as a core element within a contract (care should be taken to ensure that a clear link can be made between these and the public sector agency's social objectives).

Procurement guidance recognises that end users are not themselves the purchasers of a service, and advises that their needs must be tested critically for cost effectiveness. Consequently, given the pressure to ensure Value for Money is achieved, and to evaluate bids in a transparent and consistent manner, it is clear that public sector agencies require to determine from the outset very clear parameters for a purchase if they are to include elements which take account of the potential for social added value.

They must be frank about its inclusion in the criteria for award and, in this way, the playing field is effectively levelled to ensure that any organisation (social economy and private sector alike) can compete on an equal footing for the contract because each is required by the tender documentation to take account of the same requirements and specifications.

It is worth noting that good procurement practice, if the potential for social added value is recognised within the award criteria and explicitly unpacked within the contract, will require evidence to demonstrate that the supplier is performing in relation to the social elements of the contract. Such provisions ought to be provided for in the criteria for performance monitoring and evaluation associated in line with the management of a contract. That is to say, if a social enterprise, voluntary organisation or private sector business wins a contract on the basis of its potential to deliver the contract (including

social elements) it can expect to be assessed on its performance across the entire contract - including its ability to demonstrate that it has delivered social added value.

The Future for PSP

Sophisticated procurement such as this will require the development of strategic and informed business cases, based upon thorough options appraisals together with appropriate and considered application of the technical standards and regulations for procurement. The skills and culture change necessary to achieve this, from a public sector perspective alone, should not be underestimated.

Social enterprises and voluntary organisations, if they are to compete effectively for public sector contracts, will require to demonstrate an understanding of the public sector as a customer. They will need to be professional in their dealings and rise to the challenge of this changing landscape. Furthermore, organisations within the social economy have an obligation, when entering into a contractual agreement, to gather evidence to demonstrate their performance meet the requirements of the purchaser in line with the terms of that contract, including their ability to deliver social added value.

4. A Transnational Perspective on Public Social Partnership

The procurement market within the UK is influenced by the EU regulatory environment in the same manner as those of its European counterparts. Yet the development of the social economy sector, and practice of establishing public social partnerships (PSPs) for public service delivery, is not consistent across Europe. In some Member States, the social economy sector is more robust than it is in the UK. Within these Member States, opportunities for working with the public sector can appear more straight forward and accessible, and the successes of partnership working seem more explicit.

Scotland in an EU Context

Throughout Europe, there are a great many examples of good practice. Such examples demonstrate the social added value to be attained by these two sectors working together, but also hold the key to identifying some of the key features of operating context, which have enabled these types of partnerships to flourish.

Although procurement throughout Member States is governed by the same EU law, it is clear from the preceding chapter that it is also influenced by national and local government policy and practice. Given that the same rules apply at an EU level, it seems reasonable to infer that the reasons for such widespread variation across Europe, reflect tangible differences in the national contexts. Italy has many examples of successful public-social partnerships, and in that regard would appear to be a more conducive environment for the shared delivery of services by the social economy sector and public sector.

Within Scotland, the public sector is currently looking at ways to break down the barriers that exist for social enterprises and voluntary organisations seeking to partner with the public sector to deliver high quality public services. In many respects, the Italian social economy is arguably more advanced than that of Scotland.

The consortium model is the usual vehicle for Italian social enterprises to engage in public-social partnership. In order to evaluate the extent to which it might be possible to emulate the successes of the Italian system, the Scottish DP resolved to test the instruments associated with the Italian approach. This chapter outlines the fundamental construct of the Italian system and examines some of the reasons for its success. It also considers the extent to which the instruments associated with that system might be transferable to Scotland.

The Italian Context

Setting the Scene

Italy has a healthy social enterprise sector, and its cooperatives play a crucial role in the country's economy. They undertake many essential activities particularly in the field of domestic and social services. Research³⁷ indicates that Italian social cooperatives are able to play such a role because there is a considerable structure of support in place to help them, more specifically:

- Legal recognition
- A consortia system to support social cooperatives
- Recognition of the sector's potential to deliver social added value
- Beneficial tax arrangements
- A legal duty upon businesses to support disadvantaged people
- Enhanced access to finance

The Composition and Shape of the Italian Social Economy

According to the SEL report, under Italian law social cooperatives are categorised as either Type A or Type B.

Delivery by Type A Social Cooperatives

The principal client for Type A cooperatives is the public sector (70%). For Type B, it is the private sector (60%), followed by the public sector (35% municipalities and 5% other public bodies).

Type A cooperatives deliver health, social and educational services. They can operate as commercially orientated businesses and bring together providers and beneficiaries of a social service as members. Until recently Type A cooperatives have benefited from a privileged relationship with municipalities.

Delivery by Type B Social Cooperatives

Type B cooperatives aim to integrate disadvantaged people into the labour market. They are very similar in nature to the UK's social firms. According to Italian law, to qualify as Type B, at least 30% of the workforce must be recognised as 'disadvantaged'.³⁸

The Social Economy

Law 381/91 provided legal recognition to the social cooperatives and removed the requirement for beneficiaries to be members. This was replaced with a general duty upon social cooperatives to provide benefit to the community or

³⁷ Social co-operatives in Italy: Lessons for the UK (SEL)

³⁸ As above, Pg. 33

to address social exclusion (including labour market failure). Law 381/91 also introduced some restrictions on social cooperatives, namely:

- the distribution of profits was limited to 80%
- an upper limit was placed on the rate of profit per share
- a restriction was placed on the distribution of assets/ profits in the event of dissolution

As a consequence, the number of social cooperatives increased dramatically and the sector's dependence on volunteers reduced, as financial incentives, delivery requirements and increased capacity meant that cooperatives were able to take on more paid staff. The dynamics of the sector benefited from the resulting improvements to communication structures and relationships with public sector commissioners improved as additional resources became available to the consortium by way of an expanding consortium network. The primary effect of the increased capacity of the social economy sector was that it could take on a louder voice in influencing policy and planning services.

The Consortia System

In contrast to the UK, there is a fairly extensive infrastructure in place to support Italian social cooperatives. By becoming a member of a consortium, social cooperatives can benefit from a wide range of support (including direct training, peer mentoring, shared central resources, etc.) not to mention improved access to peer networks and finance.

The consortia network operates on a tiered basis. Individuals can join a consortium, or a number of consortia. In turn, those consortia can become members of larger consortia. Therefore the consortia network, as a whole, is in fact an interlinked web of social cooperatives. At all levels, the consortia network places a strong emphasis on the sharing of good practice and plays key role in shaping the environment within which lower level consortia (and the social cooperatives themselves) operate.

The consortia enable social cooperatives to operate greater economies of scale because they can work together to compete for contracts which they could otherwise fail to win in terms of capacity. In doing so, social cooperatives can compete for higher value contracts but can continue to operate on a scale that they feel comfortable with.

The consortia also enable social cooperatives to bid for contracts which call for a range of activities to be delivered as part of a service without them resorting to the need to divert resources away from their core activities. Instead, social cooperatives are able to come together as a consortium in order to submit a joint bid to deliver the service. In such cases, individual social cooperatives assume responsibility for delivering discrete elements of that service. As a consortium, they are responsible for the entirety of service

provision, but in essence each social cooperative is able to continue to work within its own field of expertise.

Finance

Compared to the UK, opportunities for finance are more accessible to Italian social enterprises than in the UK. Cooperatives can access finance through a social sector solidarity fund (The Marconi Fund ³⁹) and can (through the consortia) obtain preferential lending arrangements with banks.

Social enterprises in Italy also qualify for a number of tax breaks and benefits. Social enterprises also benefit from reduced rates of VAT (which is usually applied at a rate of nil or 4%) in comparison to profit-orientated businesses (for whom the rate is 20%).

Recognition of the Sector's Potential

Although, there is recognition of the potential for social added value through procurement within Scotland, it can seem difficult to achieve this in practice. These difficulties act as barriers to the opportunities and effectiveness of public-social partnerships. It is useful therefore to examine the method by which public sector agencies in Italy are able to do this with such apparent success.

In Italy, the delivery of social services is usually undertaken by Type A cooperatives. These social cooperatives are involved from the initial stages of municipal planning for social services.⁴⁰

The engagement of disadvantaged individuals in the supply of social services helps the Italian public sector to establish a positively reinforcing cycle of targeted training and recruitment which not only helps to address labour market failures but maintains a strong link between service users and service design.

Type A cooperatives benefit from their involvement in the planning process. Their ability to secure such opportunities can be attributed to two factors:

- their experience of engagement as a provider of these types of services
- the strength in numbers they gain by joining the consortia network

³⁹ The 'Marconi Fund' has been a key element in the co-operative sector. Co-operatives must pay 3% of their annual income to the Marconi Fund which is used to finance new co-operatives.

⁴⁰ The term 'social services' covers a range of activities and cannot be assumed to refer to solely to activities undertaken within a social care or social work setting. It can also refer to training and employment for disadvantaged individuals.

There is further recognition of the sector's potential through the provision for Type B cooperatives to provide services to the public sector under reserved contracts.⁴¹ Such arrangements enable the public sector, in line with their social objectives, to restrict competition for some contracts (under the EU thresholds) to Type B social co-operatives. That is not to say that there is no competition between Type B social cooperatives for such contracts but simply that for such contracts only those social cooperatives which meet the criteria for reserved contracts are eligible to compete.

However, the majority of income for Type B social cooperatives is derived from the private sector. It is reasonable to infer that Italian law, which makes it mandatory for businesses to employ a quota of disadvantaged individuals (according to their size) has in some way contributed towards this success, as the engagement of Type B cooperatives fulfils this requirement. As a consequence of these provisions, Type B cooperatives are guaranteed (to some extent) demand for their services.

The Inclusion of Social Clauses

For contracts above the EU thresholds the inclusion of social clauses is common within public sector contracts in Italy. As a consequence, there is a more level playing field for the social cooperatives to compete with private businesses for contracts because tenders regularly take into account the potential for social added value. It should be noted that recently the private sector has started to win contracts back,⁴² proving its ability to deliver social added value.

The quality element (which takes into account social requirements linked to the inclusion of social clauses) often forms the majority of the criteria for assessment of bids in response to a tender and the basis of evaluation over the course of the resulting contract. Throughout the duration of a partnership, performance in relation to contracts is measured by a group of stakeholders across both sectors. This forum acts as a point for conflict resolution and also provides the opportunity for relationship building between the two sectors.

Key Lessons

Appendix 10.2.1 contains a swot analysis of the Italian method. The key lessons that can be drawn from this analysis are as follows.

⁴¹ European Commission (2004) Directive 2004/18/EC: Article 19 (Reserved Contracts)

⁴² In such cases, employees/ clients engaged by the social requirements are protected and must be taken on by the new company. This ensures continuity and consistency in the achievement of social added value and delivery of services.

Specialisation

The consortia fulfil a strategically useful role in enabling the sector to grow without requiring individual cooperatives to expand beyond their capabilities and risk stretching their competencies too thin. As a consequence, social cooperatives can remain at a size which is, manageable, specialised and still appropriate to members (so that they can still identify with staff and the board).

Contracts

The recognition of social added value through social requirements (either by way of reserved contracts or through the inclusion of social clauses) ensures that suppliers' performance in respect of these are monitored, assessed and evaluated.

Support

Consortia assist cooperatives. They offer support, training, consultancy, accountancy, legal and marketing services and can help in preparing tenders, as well as providing networking opportunities and a host of other services. They also offer training and support to local authorities. Consortia represent strong networking opportunities and allow members to share experiences and good practice. The network itself contributes to the growth of the sector through opportunities for subcontracting and to establish spin-off businesses.

At present the UK lags behind France, Italy and Spain in terms of consortia development and no equivalent system of support exists for British social enterprises.

Co-Planning

Co-planning is at the heart of the Italian approach. The co-planning approach ensures that representatives from both sectors meet to discuss the shape of the proposed service. This enables the commissioner to draw upon a pool of cross-sector expertise and allows participants to share good practice in working with a particular client group, which is credited with resulting in a more user-focused service design.⁴³

Finance

Consortia can arrange preferential lending agreements with local banks, can guarantee bank loans and contracts with local authorities.

The top slicing of profits to reinvest in the social economy sector is a key resource in terms of the sector's development. Within the UK, social

⁴³ Appendix. 10.1.2

enterprises can find it difficult to access finance to help them start up and to grow. However, the potential to top slice income from successful social enterprises to help to grow the sector does not appear to be under consideration at present. Arguably, such top slicing has facilitated the growth of the Italian social economy sector. In Scotland, the Scottish Government is looking at new models to help bridge the gap between grants and commercial loans.⁴⁴

Representation

Although it is no longer a requirement for social cooperatives to have service users, workers and volunteers as members it is still common practice. This is often viewed as a strength because it maintains a relationship between the membership and beneficiaries which is considered to contribute to the likelihood of successful outcomes for co-planned projects.

Cooperatives usually have strong links to territorial communities and, although there is no preferred supplier status per se, knowledge of the local market is often recognised by social clauses. Where services are provided by social cooperatives, the connection between users and providers of these services is considered to be stronger.

Key Issues around Transferability to the UK

In Italy, it is clear that there is recognition given to the potential for the attainment of social added value through partnership working with the social economy and of the social economy sector's ability to bridge the gap between the public and private sectors.

The Italian system (as a whole) is far more geared up to support cooperatives in building partnerships with the public sector via the consortia. In spite of operating in the same EU regulatory environment, without the support of large consortia and the funds attached to these bodies, social enterprises in Scotland face a different landscape in their efforts to engage with the public sector. In order to emulate the successes of the Italian model, it may be the case that some (or all) of the following key success factors require to be taken into consideration in devising policy to achieve this end:

- A consortia structure (or similar arrangement) to support and promote organisations working to social aims would be desirable
- More accessible tendering arrangements to level the playing field in order to give social enterprises and voluntary organisations the opportunity to win public contracts

⁴⁴ Better Business: A Strategy and Action Plan for Social Enterprise in Scotland (Communities Scotland, 2007, Pg. 31)

- Incentives (e.g. tax breaks) for social enterprises and voluntary organisations in return for a proportion of their profits to be allocated to a central fund to support one another
- Additional financial resources (within the public sector) to be allocated to support social enterprises and voluntary organisations
- Greater involvement of relevant social enterprises and voluntary organisations in the service design and planning stage with respect to public services.

5. Co-planning & use of the Consortium Model in Scotland

From the preceding chapters it is apparent that there is some merit in adopting a co-planning approach to service design. It is also clear that the consortium model has the potential to act as a vehicle for social enterprises and voluntary organisations to engage in public service delivery.

The primary benefits to be obtained from co-planning public services are that:

- public sector agencies have the opportunity to draw upon a range of experience and expertise in order to devise a service suited to the needs of end users
- public sector agencies can use the pilot to test the validity of that service design (including the potential for social added value) and (based upon the experience of the pilot) can make adjustments to the service design prior to the service going out to tender
- social enterprises and voluntary organisations can gain experience in delivering the service which might help them in competing for this type of contract in the future
- social enterprises and voluntary organisations are able to gain experience of partnership working with the public sector.

Based upon the lessons learned over the course of operating the three pilot projects in Scotland and upon the experience of those involved in Public Social Partnership (PSP) in Italy, the model provides for three key stages in developing a PSP which is based upon a co-planning approach and employs the consortium model:

1. Concept
2. Service design
3. Under contract.

It is worth noting that the information contained within this chapter is based upon some fairly important assumptions, namely that:

- organisations in both sectors have agreed to work together to design and pilot the proposed service on the understanding that the resulting service (if the pilot proves successful) will go out to tender ⁴⁵
- two or more social enterprises or voluntary organisations have come together to form a consortium which is likely to be capable of delivering the resulting contract ⁴⁶

⁴⁵ This forms the basis of the 'co-planning approach'. The characteristics of which are noted in the Context and Transnational sections of this report.

- any public sector agency with the powers to buy goods and services externally could be a partner in PSP (e.g. NHS, DWP, etc.). This report pays particular regard to the case for local authorities, as this is assumed to be a key target market for the social economy sector given their focus upon local services
- the public sector agency (purchaser) engages with representatives from the social economy (potential supplier) as equals, collaborating in the development and design of a service with the overriding objective to achieve Best Value for Money and successful outcomes for service users.

The Outline Process for Public Social Partnership

The diagram below represents the first stage in the process. (A dotted line indicates communication and a solid line communication, work flow and activities.)



Clearly Define the Problem and Identify a Solution

The co-planning approach involves the social economy sector from the early stages of service design because procurement within the public sector is an end to end process (i.e. from inception through to evaluation and a final payment for goods and services). It is clear that social enterprises and voluntary organisations should be involved in developing the business case in order to ensure that the potential for social added value is encapsulated.

This aspect of the approach is integral as:

- it is not sufficient, at a later stage in the procurement process, to decide to take account of social criteria
- it utilises the expertise of the social economy sector at an early stage to inform service design

⁴⁶ Although, clearly it is possible for PSP to exist between a single third sector organisation and a single public sector body but this report focuses on the consortium model.

- dialogue between both sectors facilitates relationship building and as a consequence has been shown to affect a smoother transition to new delivery methods.

From the outset, the public sector must be clear as to the nature of the outcomes it is seeking to achieve by way of the purchase. This should form the basis of the business case, together with a carefully considered options appraisal. Essentially, the public sector and the social economy sector have to agree in partnership upon a problem definition and a solution.

In the case of the North Lanarkshire PSP, 'the problem' combined a need for a less fragmented furniture delivery and containment service to individuals at a socio-economic disadvantage across the local authority area, together with a desire to fulfil a strategic objective to support individuals at a disadvantage within the labour market.

A potential solution to that problem existed in the form of three organisations, already delivering discrete elements of the existing furniture services to the same client group. These organisations realised that they could provide a more holistic service by working together, and could help the local authority to make progress against their strategic objectives by offering training placements to people at a disadvantage in the labour market.

Communicate and Get Buy In

It is important that the public sector agency achieve cross-departmental buy in (most definitely with procurement staff and with other departments or services which might use or have an interest in the proposed service). Vertical buy in is also crucial. Where support has existed vertically and horizontally across a public sector agency, albeit with a single department to take the lead, the process has been smoother. It seems appropriate therefore that some initial "hearts and minds" work around the concept of PSP is undertaken. For procurement staff they will require a more detailed understanding of the specific project and the potential for social added value in order to manage the contract and evaluate performance accordingly.

It is imperative that due regard is given to the public sector's standard procedures and processes for procurement. It is worth highlighting at this point that the model which features in this report differentiates between the role of procurement staff (the purchaser⁴⁷) and that of the commissioner.⁴⁸

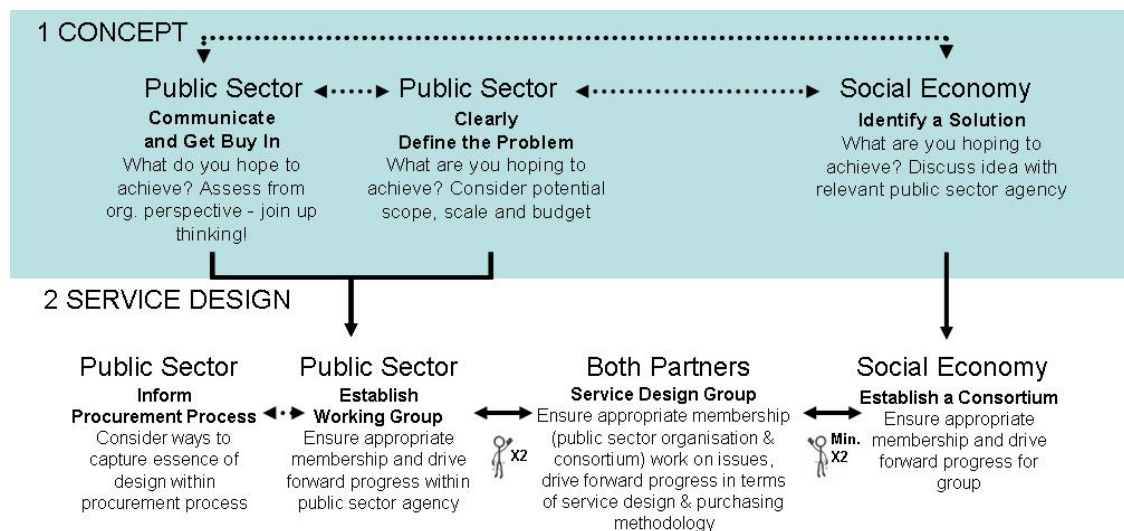
⁴⁷ "Commissioning is the strategic function of identifying priorities and outcomes, assessing the needs of people in an area or the requirement for goods or services by a public agency, allocating resources and then designing and securing the appropriate goods or services." Tendering for Public Sector Contracts, Communities Scotland, 2007

Within the concept phase, the focus is on the commissioner. As such, it is imperative that:

- communication be established between the commissioner and procurement staff to ensure that the commissioner is aware of the procurement process
- that procurement staff are on board with the concept of PSP and that they are able to capture any elements of social added value within the procurement process itself.

Even at this early stage, the experience of the three pilots suggests that staff in both sectors are likely to benefit from development support to help both sectors to work towards developing a service design which captures the essence of a clearly defined 'problem' – the business case. Those in the social economy sector need to think about how they can complement the public sector agency's strategic objectives and about how they might reconfigure services to help identify solutions which could deliver social added value.

This stage of the process is about laying the foundations for what is to come and (particularly in terms of the public sector) starting to build the business case for a contract and relationship building. The pilots demonstrate the extent to which development support has helped staff from both sectors throughout the entire process but particularly during this period.



Inform Procurement Process

For the public sector, the second stage of the process is about shaping the service, defining and refining the parameters, and considering the nature of

⁴⁸ "Procurement is the whole process of purchasing by the public sector from third parties covering goods, services and capital projects. The process spans the whole-life cycle from initial concept through to the end of the asset or the end of a services contract." Tendering for Public Sector Contracts, Communities Scotland, 2007

any criteria associated with the quality aspects of that service. This is particularly important if there is to be some explicit recognition of the social added value sought by the public sector as this will be captured within the quality elements.

The model itself does not go into detail about the processes involved in procurement, as it is assumed that procurement staff will communicate with commissioners to ensure that procurement instruments and processes are able to take account of the commissioner's specifications and adhere to all relevant rules and regulations.

Therefore, it is imperative that procurement staff are consulted at an early stage to ensure that they are able to utilise procurement instruments in such a way as to procure the service (including any social provisions) sought by the commissioner. This is required, even if the service is being piloted as part of the public-social partnership approach. Similarly, early consultation with procurement staff ensures that the commissioner is aware of the regulations and processes for procurement. It also ensures that procurement staff are informed about public-social partnership as an approach and the outcomes that the commissioner wishes to achieve for end service users.

Establish Working Group

The public sector agency must be clear about the division of roles between commissioner and purchaser. The division of roles must be effectively communicated to the social economy sector so that they are aware of the nature of their relationship with the public sector at each stage of the process.

Over the course of piloting a service, it would be prudent to establish an internal working group (the equivalent of an in-house public sector consortium) to ensure effective communication across divisions and services with an interest in the service.

Establish a Consortium

For social enterprises and voluntary organisations, the second stage in the process is very important because it sets in place the foundation for the social economy consortium that – if it is successful in winning the tender – will deliver the contract. As such, it is imperative that potential consortium members come together to discuss how that consortium might operate in practice (particularly in terms of formalising the consortium and operational, administrative and practical arrangements for the consortium, as well as specific aspects of delivering to the contract).⁴⁹ This will help to ensure that the organisations think through how resources might be shared and managed

⁴⁹ The EQUAL DP will shortly publish a Guide to Consortia Development, see www.socialeconomyscotland.info

most effectively. This is also a good time for consortium partners to consider how they might cope with any unexpected issues that could arise, and similarly to consider how they might share any profits and liabilities associated with the contract.

The degree of development support required by social enterprises and voluntary organisations seeking to build a consortium should not be underestimated. Participants to the pilots said that they valued the support they received throughout this process.⁵⁰

Establish a Service Design Group

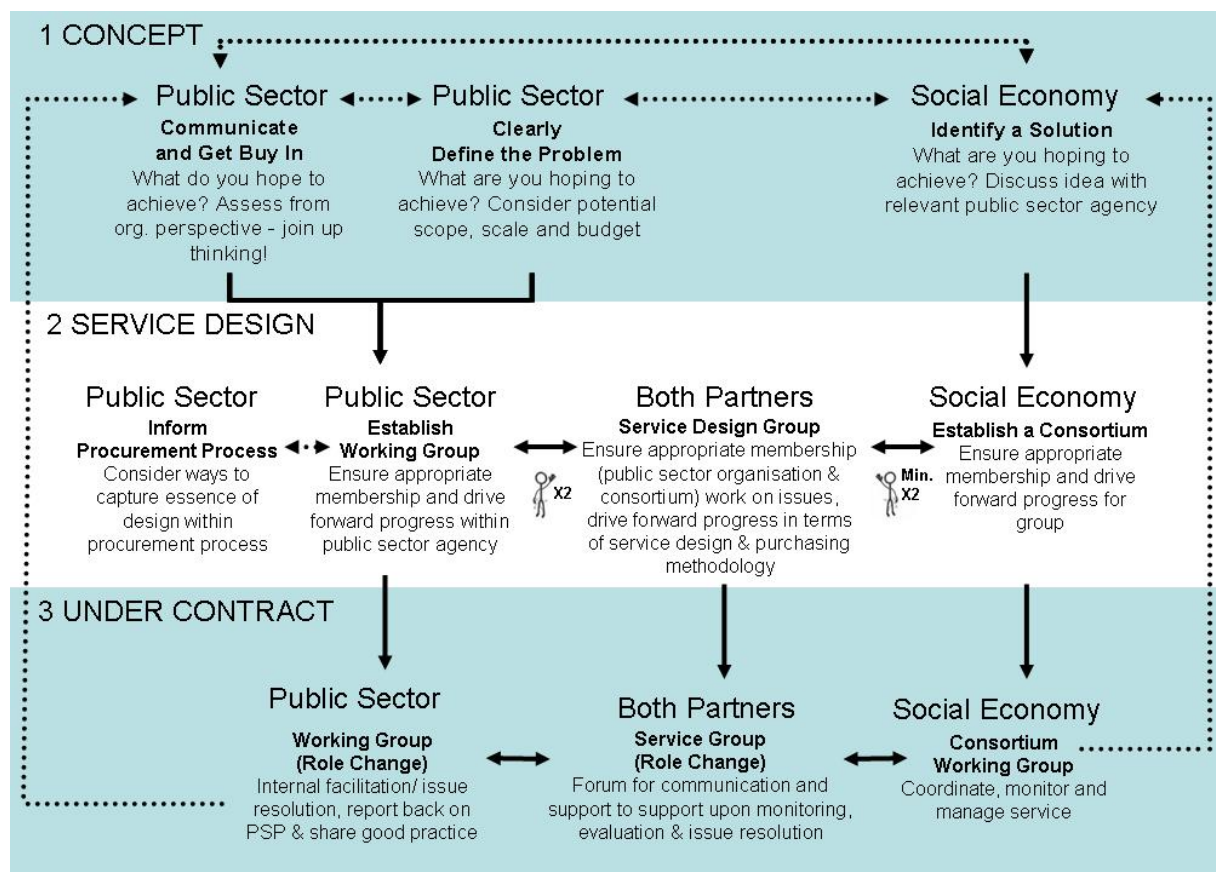
During the service design stage, the partners need to establish a forum in order to come together to shape the service through collaborative dialogue, and the exchange of experience and expertise. Within the model this is called the Service Design Group (SDG). This group sits at the heart of the co-planning approach and enables representatives from the consortium and the public sector working group to meet regularly to inform the design of the proposed service and to initiate, manage, monitor and evaluate the pilot with a view to informing the ensuing tender. The SDG is a key vehicle for engaging potential service users in the design of the service.

This type of forum forms the basis of the Italian approach to PSP and much of their success in PSP is attributed to its use. Based upon the statements of participants of the Scottish pilots, it is clear that this forum has been crucial in developing those services as it has established the foundation for partnership and has helped to build trust between the two sectors. Yet this approach is relatively new to Scotland and, as such, is likely to provide partners with a different experience than they might otherwise have by way of conventional procurement arrangements.

This lack of experience may make partners cautious about engaging in co-planning. As such close collaboration requires partners to work together effectively, it important to stress that some degree of culture change is likely to require to be enacted in both sectors to support this goal. It is a key recommendation of this report that funders consider making available resources to provide for development support to SDGs and other relevant staff in both sectors throughout this stage of the process.

The SDG manages and monitors the pilot, making any necessary adjustments to the service design. Following on from the pilot, the SDG evaluates the lessons learned from the pilot so that the public sector is able to use this information as a basis for the service that is put out to tender.

⁵⁰ Appendix 10.1.1 and 10.1.2



Presently, none of the pilots have progressed to stage 3 so the model uses the Italian approach as a basis to propose the format for PSP 'under contract'. Clearly, the social economy consortium will be focused on delivery and the public sector agency upon performance monitoring and evaluation in line with the terms of the contract. Yet the Italian approach suggests that there are benefits to be attained from continuing with the same type of close relationship (and open dialogue) that existed during the pilot for the duration of the contract.

Service Group

The establishment of a Service Group provides the opportunity for representatives from the public sector agency and from the social economy consortium to discuss performance under contract. In Italy, the group considers feedback from service users, fulfilment of key criteria, targets and milestones, and members work together to identify solutions to any issues, and to negotiate and to make adjustments to the service accordingly.

Working Group

Clearly, in managing the contract, procurement staff will have a vested interest in monitoring and evaluating performance in line with the contract specifications. Commissioners will bring their expertise to the table in order to help to assess the consortium's performance, particularly if social clauses are

used. An internal Working Group enables the public sector agency to draw upon the expertise of staff across different departments.

Consortium Working Group

It is imperative that members of consortia set aside time for the consortium. Not only will they require to coordinate their operations to ensure the effective management of resources and smooth delivery of services, it is imperative that there is the opportunity for shared decision making and a clear division of roles and responsibilities within the consortium.

It is impossible to present a standard model for the consortium because it will vary from one PSP to another depending upon the nature of the service, the needs, aspirations and legal status of members. As indicated, the EQUAL DP has produced a guide to developing a consortium which looks at establishing a new legal entity for the consortium. Whether members elect to formalise their consortium in this way, or to operate by way of a partnership agreement or other method, they will still need to set aside time to work together to plan and execute services.

Failure to Win the Tender

The third stage in the model assumes that the contract has been awarded. However, in reality it cannot be assumed that because a consortium is involved in a pilot that it will always win the contract. Members of a consortium need to be prepared and to have in place a contingency plan in the event that they do not win the contract. In the event of a contract not being awarded to the consortium, following on from a pilot, it would be advisable for the consortium to go back to the relevant public sector agency to request feedback which the public sector agency is duty bound to give.

The Roll Out of PSP

The proposed PSP model is based upon examples of good practice and reflects the experiences of participants to date and that of public sector staff and members of social economy consortia in Italy.

The model will not be appropriate to every PSP project in Scotland but does provide a basis for understanding the challenges and benefits of partnership working between the sectors. Similarly, it is anticipated that elements of the model might be useful even for those projects not going down the route of the co-planning approach or employing a consortium model.

6. Public Social Partnership Pilot 1: North Lanarkshire

Consortium	Homereach
Members	Beulah, RECAP and St Patrick's Furniture Project make up the consortium.
Service	Furniture service (reuse and distribution) catering to disadvantaged individuals and families in North Lanarkshire.
Public Sector Partner	North Lanarkshire Council (NLC)
Pilot Status	The service has been operating as a pilot since September 2006.
Contract	The service is due to go out to contract in January 2008 at an expected value of £800,000 p.a.
Service Users	To date 247 people have used the service.
Social Added Value	The pilot offers training and employment opportunities for those at a disadvantaged in the labour market and supports NLC's environmental targets.

The Service

The service encompasses four discrete elements:

- Providing emergency furniture packs – these are to vulnerable or disadvantaged individuals or families who are moving into Council tenancies possible when being re-housed or moving from homelessness
- Storage - Storage of items left when an individual or family becomes temporarily homeless until they are re-homed
- Permanent furniture packs for people who are not eligible for Community Care Grants – individuals and families moving into new local authority tenancies who are not eligible for emergency packs or grants which can be spent on household goods but cannot afford to buy furniture can also use the service
- Targeted recruitment and training placements – opportunities for people at a disadvantage within the labour market.⁵¹

Co-Planning the Service

The PSP has been driven forward by 2 separate groups – the Steering Group and the Service Design Group. In addition there has been external development support from the Community Recycling Network Scotland (CRNS) who have housed the Development Officer role and from Forth Sector who have chaired the Steering Group.

The Steering Group is made up of representatives from 5 departments within the Council including Housing, Social Work, Economic Development, Procurement and Community Services (Waste Management). In addition there are representatives from EQUAL together with the PSP Development Officer and Forth Sector.

The Service Delivery Group is co-ordinated by the PSP Development Officer and includes representatives from the 3 organisations involved in the pilot – Beulah, RECAP and St Patrick's Furniture Project. This has primarily involved staff from the organisations, but board members have also been involved at key meetings. The group is also attended by a representative from the Business Gateway Social Economy Support Team.

Progress to Date

NLC is in discussion with the Scottish Procurement Directorate to decide on the best way of wording to contracts to include both social and environmental

⁵¹ As in the Italian model, the cost of providing the training is to be factored into the tender.

benefits to give the best balance between the training and recycling aspects of this work.

Beulah, RECAP and St Patrick's Furniture Project are in the process of forming Homereach - a new joint venture company which will be the (consortium) entity which bids for the contract and is responsible for delivering the service.

The contract for this work is set to be issued in January 2008, and it is not possible to predict whether Homereach will be successful in its bid.

Key lessons

Based upon feedback from participants, about their experience of being involved in consortium building and service design for the PSP, it is possible to identify a number of key factors that have had an impact upon the development process. The nature of the process itself has also given rise to certain features in service design and has had an impact upon the method of operation for the consortium.

The key factors in respect of this particular PSP project are:

1. Development Officers Role
2. Communication
3. Commitment
4. Procurement
5. Consortium Development
6. Funding
7. Timescale

1. Development Officers Role

All stakeholders have identified the importance of dedicated support for the PSP process as being of critical importance particularly at the beginning of the process. However, there is concern over the impact of losing this support as Homereach bids for the contracts and the PSP progresses. The CRNS has made a commitment to providing development support until the completion of the tendering process.

A key question to emerge, however, is over where this support role is placed. If at all possible it is likely that dedicated staff working from both sectors in the service design process will bring about a more robust outcome. Arguably, however, a dedicated development officer post provides value for money, at £40,000 to £50,000 for contracts totalling £800K per annum, if an invest to save approach is assumed. Yet, future PSPs are also unlikely to require this level of development support because there are a number of lessons that can already be drawn from this experience.

2. Communication

A strong message to emerge from the survey and interviews is that communication between the service delivery organisations (those within the social economy) has seen a marked improvement. It is clear that this is a positive outcome for the local social economy, even if Homereach does not go on to win the contract for this particular service.

In contrast, one of the main barriers identified concerns communication within the Council. Frontline staff (Tenant Support Officers - TSOs) did not buy into the new method of service delivery at the beginning of the process, primarily because they were not consulted during initial discussions or at the stage of service design stage. This has been problematic as they hold the budget for these services and the negative relationship that arose as a consequence of their exclusion from the process could be seen in the low number of referrals TSOs made to the pilot service initially. Addressing the concerns TSO had and introducing them to the service providers at an earlier stage could have resolved this problem.

Yet communication issues were also manifest in the relationship between the public sector and social economy sector – a point raised by the Service Design Group who stated that they felt that they had ‘been kept at arms length from the Steering Group’ and that they perceived this to be ‘unhelpful and inappropriate’. In order to optimise the potential for shared development of the service PSP requires the commissioner and the supplier to be in direct contact with one another and it may be that the role of the development officer should be to act as a facilitator rather than an intermediary in this regard.

3. Commitment

The project has benefited from a high level of commitment from NLC. From the beginning, the process has benefited from the engagement of senior officers across relevant divisions. This has been very positive in terms of organising budgets to pay for the service (on behalf of Housing, Social Work, and Planning and Environment) and in paving the way for the roll out of PSP for other services. Buy in at senior levels (from the Chief Executive and from elected members) has proved highly beneficial in progressing the PSP and is something that others looking to develop PSP should aim for.

This degree of commitment has been matched by the social economy sector who have proved to be open to the concept of piloting the service prior, to engaging with staff within the public sector to improve services to key client groups, and to the level of risk inherent in competing for contracts with the private sector.

From the survey responses there is a clear commitment within both sectors to the concept of PSP. A lesser, but still strong, commitment to the consortium

model can also be identified. This positive feedback suggests that this approach has been appropriate to the service within North Lanarkshire and provides a basis for looking at replication and transferability elsewhere.

4. Procurement

One of the aims of the PSP concept was that it should tie in with the wider procurement agenda in Scotland, creating a collaborative approach where local authorities could work with social enterprises and voluntary organisations. However, there was concern that this might not happen and that the PSP would be limited and not appear to have moved very far beyond a more traditional grant or service level agreement model.

Fortunately, in North Lanarkshire, this has not happened. Perhaps this is because there has been a very clear purpose for the PSP. NLC has always wanted to contract out such a service and has been able to achieve effective cross departmental engagement procurement process.

Another aspect of the pilots and the wider procurement agenda has involved looking at ways that social clauses can be built into PSP contracts. There have been ongoing difficulties around this partly due to a general lack of understanding, by all parties, around the potential implications linked to the use of social clauses. This highlights a training need for both commissioners and suppliers.

5. Consortium Development

The Homereach consortium brought together Beulah, RECAP and St Patrick's Furniture Project to form a new legal entity. At the start of this process, the 3 organisations were already providing elements of the services across parts of North Lanarkshire. Yet, NLC wanted one body with the capacity to offer full geographic coverage ensuring consistency in service. The consortium model represented the ideal way for the 3 organisations to meet this objective without overstressing themselves, as no one organisation had the capacity to deliver the contract in its entirety.

For the service providers, the key concern has been identity. All 3 organisations have their own aims and objectives, and are keen to preserve their own identities. The formation of Homereach allows each of the 3 organisations to meet NLC's wish to engage with one entity for the contract yet it also ensures that they can pursue separate activity where appropriate and retain their own separate boards, management committees, staff and ethos.

Developing a shared vision for the consortium and compiling a set of shared values provided the focus for some of the development support provided but also covered quite pragmatic issues, such as administrative procedures and staffing. The role of development support in facilitating the process of

consortia development has been crucial. From the Homereach experience, it would also seem prudent to put in place to allow these issues to be revisited as the PSP progresses.

6. Funding

Funding has been raised as a key issue within the PSP process, particularly by the service delivery organisations. A sector-wide vicious cycle, whereby organisations are not currently funded on a full cost recovery basis,⁵² means that there is no money available for future development. Development work is then done on a shoestring budget meaning that the quality and innovation needed to secure contracts is often missing.

The service delivery organisations have made a strong case for a full cost recovery approach to future PSPs. This should include resources for ongoing development support for the consortium. The improvements in comparison to the elements of the service the 3 organisations delivered separately. Contracts should take into account a guaranteed proportion of referrals which would ensure that the service providers would have a base income. The service delivery organisations report that they have invested time, money and resources in scaling up to take on this extra work but because it has not been forthcoming (through the pilot) they have been put in a difficult financial situation, in some cases drawing up redundancy notices.

This cash-flow situation has been further compounded by difficulties around NLC's standard 30 day payment policy. There was a feeling that it could be worth exploring the possibility of reducing this for certain services. The purpose of this report is not to investigate specific problems at this level but this situation illustrates that the social economy sector, which is already in a more vulnerable position than the public sector, is carrying the majority of the risk.

7. Timescale

Feedback suggests that the following timeline would have been more beneficial to NLC and Homereach:

- 6 – 12 month period of service design and development
- Minimum of 24-month set aside to develop and undertake the pilot (to input into the redesign of the contract)
- 6 month follow up period to allow for evaluation and the redesign of the contract
- 6 month period for the contract tender and transition period

⁵² "Full Cost Recovery (FCR) is the principle that, when entering into a contract with a public body, the service deliverer should be able to recover all of the costs associated with that contract." Full Cost Recovery in the Voluntary Sector Impact Assessment - Research Findings – Scottish Executive

The North Lanarkshire pilot has not benefited from the timeframe employed. This was mainly because the first phase of partnership development took longer than expected and the rest of the activity (service design) has been compressed. This has meant that the time allocated to make the transition from pilot to contract reduced dramatically. It was necessary to spend more time at the front end because this was the first time this process has been carried out. The work has yet to go out to tender.

Lessons Learned from Homereach

Benefits

- The approach taken has been appropriate for this type of service, where the local authority has been clear about what they require and the providers are already delivering the key components.
- It is clear that the participants have benefited from improved networking opportunities.
- The benefits of the co-planning approach has not only brought about positive changes in terms of communications between service providers but has also enhanced their relationship with the public sector.
- The consortium model has enabled the social economy organisation to deliver a more holistic service and the public sector to achieve efficiency gains.

Key Success Factors

- To date, the success of the North Lanarkshire pilot can, in part, be attributed to the degree of commitment shown by all parties, public and social economy sector alike. The existence of public sector champions within North Lanarkshire Council has raised awareness of the potential of PSP to meet more than one outcome, of the benefits of employing a co-planning approach, and of some of the practicalities of incorporating clauses which take account of the potential for social added value through the delivery of wider social benefit.
- A clearly defined 'problem' definition and solution, i.e. to devise a more holistic, consistent and person centred furniture service to individual's on low incomes throughout Lanarkshire and to promote employment opportunities for those at a disadvantage in the labour market.
- The appointment of appropriately skilled development support agents was instrumental to progress.

- Support and resources to provide for consortium building was crucial in building an effective partnership for delivery.

Conclusion

The consortium building element of this pilot has been important. A great deal of work has been done by the 3 organisations with support from the development agent (CRNS) to form Homereach. This process has been very positive but it has taken longer than anticipated and with greater resource implications than predicted. For future PSP activity it is imperative that a full cost recovery approach is taken to calculating the price of that service (including service development and coordination) to ensure that such costs and considerations of time are built in from the beginning. Ideally, the time given to the pilot should be increased to 2 years to allow for more time to learn from that experience and to incorporate that learning within the tender, which is a key element of co-planning.

All stakeholders involved in the North Lanarkshire pilot said that they remain committed to the co-planning approach and that they are supportive of the PSP and consortium model being rolled out across Scotland, as a way of doing business between the two sectors.

7. Public Social Partnership Pilot 2: Renfrewshire

Consortium	Reaching Older Adults across Renfrewshire (ROAR)
Members	Alzheimer Scotland, Contact the Elderly Scotland, Renfrewshire Carers Centre, RCA Trust, Renfrewshire CVS, the Volunteer Centre Renfrewshire and WRVS make up the consortium.
Service	ROAR is a low level care and befriending service for elderly individuals living within that area.
Public Sector Partner	Renfrewshire Council www.renfrewshire.gov.uk NHS Greater Glasgow www.nhsgg.org.uk
Pilot Status	The service has been operating as a pilot since Jan 2007 by way of Section 10 funding. The pilot is due to cease in March 2008.
Contract	The service is due to go out to tender in March 2008. The value of the contract is expected to be in the region of £150,000 and is likely to be for one year duration.
Service Users	To date the project has 15 volunteers on board and has received 12 referrals. Although the pilot is operating on a 'soft launch' basis it is anticipated that within the coming months the service will be able to provide places for up to 95 people.
Social Added Value	The voluntary organisations involved in the consortium have considerable experience of working with the client group in question and have established relationships with many of the service's beneficiaries and with the front-line volunteers who undertake service delivery.

The service

Renfrewshire Council for Voluntary Services (RCVS) is presently responsible for the coordination and management of the consortium. In this regard, RCVS undertakes the central and administrative functions for the consortium. This ensures that there is one point of entry for service users who come by way of referrals made by Renfrewshire Council Social Work department.

The service is provided to three client groups:

- Housebound elderly people can access transport and telephone services, face to face befriending, and a shopping service which provides much needed goods and helps to reduce the risk of loneliness and isolation. The consortium's liaison with social services is higher for this group (than for the other two client groups), as housebound clients require the highest level of care provided by the consortium.
- Elderly people displaying signs of deterioration can access the range of services provided. The focus of the volunteer befriending service will be to assist clients to get out and about and to maintain activity out with the home.
- Elderly people not at significant risk can access services which seek to maximise the individual's independence and to improve their quality of life.

It is worth noting that in some cases clients may access services across these groupings, based upon an assessment of their particular needs and changing circumstances.

A representation of the structure associated with the service delivery process is set out within appendix 10.3.2.

Co-planning the service

The ROAR PSP is the result of a co-planning approach. This approach is about the joint shaping of a service. As such, representatives from the public sector and from the social economy sector contribute to the design and development of the service.

Service Design

The pilot saw the establishment of a Service Design Group (SDG) composed of Alzheimer Scotland, Contact the Elderly, Forth Sector, RAMH, RCA Trust, RCVS, Renfrewshire Carers, Renfrewshire Council, Volunteer Centre Renfrewshire, WRVS, A member of staff from Renfrewshire Council's department for Social Work chairs the SDG.

A Corporate Group (CG), which is chaired Forth Sector, is charged with shaping the development of the proposed service and managing the partnership between the social economy and public sector partners.

Staff from the local authority attend the CG and SDG. The project also receives funding from NHS Greater Glasgow but this body is not presently represented on either the Service Design Group or the Corporate Group. Members of the EQUAL Strengthening the Social Economy Development Partnership (DP) have been in attendance at a number of the groups' meetings.

The Consortium

At present, the consortium is not a legally constituted body but exists in the form of a partnership agreement between the social enterprises and voluntary organisations involved in service delivery.

Progress to date

At present, the consortium is operating the service on a pilot basis. Following on from the pilot, Renfrewshire Council and NHS Greater Glasgow will be able to review the shape of the service and to evaluate the consortium's performance.

As a consequence of participation, the consortium will have gained experience in coordinating and operating this type of service. From a public sector perspective, it is anticipated that the tender will pool budgets across the local authority's departments (presently funding is provided by way of more than one department) together with money from NHS Greater Glasgow. This arrangement will establish Renfrewshire Council as the one point of contact and give the local authority responsibility for managing the contract. As a consequence of the service design process, it is anticipated that the tender will cover all elements of the service and reduce the duplication inherent in managing numerous low value service level agreements.

Key Lessons

Based upon feedback from key participants, about their experience of being involved in consortium building and service design for the PSP, it is possible to identify a number of key factors that have had an impact upon the development process. Similarly, there are a number of ways in which the process itself has given rise to certain features of service design and has had an effect upon the method of operation for the consortium.

The key factors in respect of this particular PSP project are:

1. Capacity Building
2. Development Support
3. The Consortium Model
4. Adopting a Co-planning Approach
5. Finance & Resources
6. Time
7. Achievement of Outcomes
8. Communication and Relationship Building
9. Culture Change
10. Risk

The nature and relevance of each of these factors is explored more fully within the analysis below. Where reference is made to participants' feedback this refers to the results of the survey and focus groups, details of which can be found in the appendices.

1. Capacity Building

From participants' feedback it is apparent that one of the key benefits of the consortium model is that it provides the opportunity to social enterprises to pool their resources. During a focus group, members of the SDG stated collectively that they 'felt more powerful working together'.

Recent policy developments in respect of procurement have placed an emphasis upon collaborative purchasing. The biggest incentive for the public sector to consider shared purchasing arrangements is the potential for greater purchasing power and to achieve savings through the establishment of economies of scale. The biggest impact of any shift towards collaborative purchasing (from a supplier's perspective) is that the shape of emerging contracts is likely to change (in that they are likely to increase both in terms of value and volume) meaning that potential suppliers too will have to scale up their operations.

In a recent survey, 71% of senior purchasing officers cited the capacity of the social economy sector as a major barrier to commissioning services from that sector.⁵³ If PSP is to play any discernable role in public service delivery then this finding, taken together with the shift to collaborative purchasing for some types of goods and services, suggests that there may be a mismatch between the shape of future tenders and the actual (or perceived) capacity of the social economy sector to be able to deliver public sector contracts.

From the participants' comments, it is apparent that many perceive the consortium model has potential to act as a vehicle for social enterprises and voluntary organisations seeking to operate within this market. In the case of

⁵³ According to a survey by the Prince's Trust and the National Council for Voluntary Youth Services (NCVYS) Source: <http://www.ncvo-vol.org.uk/vsmagazine/news/archive?id=2416>

ROAR, the consortium has enabled members to pool common functions, to draw down additional support as a group, and has provided the opportunity to present a more attractive package (holistic compliment) of services to the public sector.

It is worth noting that across a consortium the size and capacity of the organisations involved is likely to vary and in some cases (depending upon the particular circumstances of a given PSP project) individual organisational capacity issues could feasibly be addressed by a consortium, e.g. through additional support, transitional arrangements or mentoring.

2. Development Support

Throughout the process of service design and consortium development organisations from the public sector and social economy sector have benefited from dedicated support (and coordination) from RCVS and supplementary support from Forth Sector Development. This support has been three fold, ranging from relationship building, capacity building through to service design.

RCVS has, by way of its Chief Executive and its Development Officer, provided guidance, advice and hands on support for each of the pilot's participants and facilitated discussion across the consortium. RCVS has also played a role in facilitating the partnership between the consortium and the local authority (and NHS), and has been instrumental in supporting the service design process.

In a survey, participants agreed that the support that they had received over the course of the development process was effective. Yet comments during a focus group discussion with the SDG suggest that the RCVS staff member originally assigned responsibility to support the pilot had insufficient understanding or experience of this type of service and client group which 'delayed progress at the start' of the process.

Following a reconfiguration of RCVS staff assigned to the pilot, participants in the focus group said that their confidence in the quality of development support provided to the consortium had improved. This suggests that ideally any agent for development support should have, in addition to an understanding of consortia development and experience of cross-sector partnership working, some experience with the type of service and client group involved (in this case an understanding of elderly care services).

The majority of participants said that they thought that the process of consortium development had been supported effectively throughout, and made positive statements about RCVS's role as the agent for development support. Overall, participants from both sectors identified development support for this PSP as 'instrumental in driving the process forward'. Their comments suggest that RCVS has worked well as a development support

agent for this type of service, and that development support is one of the key success factors in establishing effective PSPs.

3. The Consortium Model

It is clear that the consortium model provides social and enterprises and voluntary organisations seeking to enter the public procurement market with the opportunity to scale up operations in order to fulfil larger, higher volume contracts.

In the case of the ROAR project, the voluntary organisations involved in the consortium were already delivering elements of the service by way of a set of non-standardised service level agreements financed through Section 10 funding. The voluntary organisations' shift to operating as a consortium (ROAR) enables each of them to benefit from access to shared resources and provides the opportunity to share good practice.

Contracting with a consortium, rather than individual organisations, allows Renfrewshire Council and NHS Greater Glasgow to reconfigure discrete elements of delivery into a single manageable package which best meets the needs of service users (as defined by staff in the local authority's social work department). It follows that by contracting to a consortium, public sector agencies have the opportunity to streamline resources for those services requiring multiple suppliers, as they are able to rationalise the interactions and activities involved in issuing and managing contracts because there is only one entity with whom to engage.

For each of the voluntary organisations involved in the ROAR pilot, this has been their first experience of participating in a consortium. Participants from the social economy sector said that the experience of being involved in the consortium has been a positive one and that they would recommend the model to others. Further, they agreed that, based upon their experience on the pilot, they would see merit in further roll out of the consortium model for the delivery of low level, elderly care services.

Given the range of organisations involved in the consortium, and their varying degrees of experience of partnership working, a significant amount of time was spent at the start of the process cultivating relationships between the partners and establishing a set of shared values for the consortium. It is clear that many of the participants place a strong emphasis upon this aspect of the process and recognise its value in building a foundation for effective partnership delivery. The level of importance participants attached to RCVS's role at the early stages of the process suggests that the appointment of an appropriately skilled agent to support consortium building is crucial.

Although each of the voluntary organisations has previous experience of partnership working with the public sector, only two (WRVS and Alzheimer Scotland) have previously entered into a contractual agreement with a public

sector agency. The consortium has clearly provided individual organisations with the opportunity to gain experience in partnership working with the public sector. However, it is likely that ongoing development support will be required to help individual organisations (and the consortium as a whole) throughout the process for tendering and contracting. As such, it is reasonable to assume that resources to support such activity should be factored in to PSP projects - not just on a short term basis but also the medium term - to ensure that participants are supported effectively through the process.

4. Adopting a Co-planning Approach

A co-planning approach ensures that representatives from both sectors meet to discuss and shape the proposed service. The composition of the ROAR development groups has been such that all organisations (with the exception of NHS Greater Glasgow) have taken the opportunity to engage directly in this process.

In a number of cases, participants said that they thought that service design process benefited from the co-planning approach, and that it has led to a strong sense of shared ownership of the service by all participating organisations.

Through the joint working arrangements advocated by the co-planning approach, participants were able to:

- draw upon a pool of cross-sector expertise
- learn more about one another's methods of working
- share good practice in working with this particular client group
- make links to one another's initiatives.

As a consequence, the service itself is perceived to be better matched to the needs of the client group and to date feedback from service users has been overwhelmingly positive.

5. Finance & Resources

At the start of the process there was a lack of clarity about the amount of money available to pay for the service. As a consequence, the initial stages of service design were not informed by budgetary constraints and did not give due regard to funding implications. It later became apparent that there would be a shortfall if the proposed service was to be delivered in its entirety. As a consequence, additional money had to be sought out to fund discrete elements of the service. This has had a direct impact upon the workloads of a number of the participants. In turn, this has had implications for the project

as a whole because it has diverted resources away from the PSP process itself and away from the core business of individual organisations.

When it transpired that funding would not meet the full costs of delivering front line services it followed that other aspects of the service (i.e. overheads) were not provided for. Participants expressed concern that no resources were allocated to cover the costs associated with coordinating the activities of the consortium, as well as the costs of administration, monitoring and evaluation in respect of service delivery.

It is difficult to determine how the consortium will be able to coordinate its activities, to evaluate the extent to which it is able to provide a consistent quality of service, and to collect evidence to assure the public sector that it is meeting the required standards if the cost of overheads is not taken into account within the consortium's bid for the forthcoming tender.

The tendering process should help ensure that voluntary organisations and social enterprises are able to compete on a full cost recovery basis alongside private sector businesses so long as they are realistic about the real costs of service delivery. If these costs are not included then social enterprises and voluntary organisations run the risk of over committing themselves on contracts and consequently represent a risk to the public sector in terms of their ability to deliver an uninterrupted and sustainable service.

The participants also expressed some concern about the lack of resources available to support the development of the PSP in the short, medium and longer term. It has taken time to build the capacity of the consortium and to shape the service design through co-planning. As it stands, a number of organisations were not recompensed for the staff time involved in the service design process despite the potential (under standard procurement practices) for payment for their contribution to services design. A common feature of the social economy sector is that many organisations operate without financial security and the weight of carrying an investment (e.g. staff time to contribute to the service design process) should not be underestimated.

6. Time

The time taken to build the consortium and to shape the service is of particular significance given the resource implications outline above. Participants cited a number of factors that they perceived to have delayed progress on the ROAR PSP project.

In responding to the survey, all of the participants said that they thought that the process of developing a consortium had taken longer than expected, as had the process of shaping and developing the service itself. Yet one of the clearest messages obtained from the feedback is that the participants perceived the process of consortium building and service design to be two of the most valuable elements of the project.

As voluntary organisations and social enterprises gain more experience of consortia working and delivering public sector contracts, it is likely that the time required to develop successful partnerships will be reduced. However, it may be the case that for organisations engaging in PSP for the first time additional time for relationship building and co-planning of services may require to be built in.

7. Achievement of Outcomes

During a focus group, members of the SDG said that they perceived that the use of the consortium model and co-planning approach had been of benefit in shaping the service. In turn, they said that they thought that it would result in improved access to low level care services for the target client groups. This has since shown to be the case.

Across the board, participants said that they thought that the pilot would enable the social enterprises and voluntary organisations to compile evidence, which would allow them to demonstrate their social added value as delivery agents for the public sector within the social care field. In many cases, participants referred to the potential long term benefits for service users which, if these are to be demonstrated, will require close monitoring and careful evaluation. Given the level of importance assigned to this outcome in relation to partnership working, it is of some concern that funding has not been allocated to date to provide the consortium with resources to undertake any substantial monitoring activity. This concern is a recurring theme within the participants' feedback.

In general terms, the lack of monitoring activity means that the consortium (and by implication the public sector) will have difficulty in assuring itself as to the quality and effectiveness of the service. The lack of formal procedures for monitoring and evaluation has negative implications for the consortium if it is to demonstrate the social added value it represents. It is also apparent that little consideration has been paid as to how performance will be measured and evaluated following on from the pilot.

If public sector agencies are to take account of social added value in the procurement process (through inclusion of appropriate quality criteria within the tender and evaluation criteria associated with the contract then it is imperative that voluntary organisations and social enterprises factor this in when considering the resource implications of gathering information to support any claims to social deliver social added value.

This suggests that there is some work to be done to i. determine how service users will be tracked across the discrete elements of the service and ii. how their needs and experience will be measured.

8. Communication and Relationship Building

Participants (social enterprises and voluntary organisations) reported improvements to communication with the local authority, and attributed the change to the use of the co-planning approach. The participants also indicated that the consortium building process had improved communication with their peers in the social economy sector and had led to the sharing of good practice.

From the public sector perspective, participants' stressed that the experience of co-planning had made a positive impact upon their view of the social economy sector.

It is also worth noting that, in addition to representatives meeting regularly through the SDG and CG, events were held to ensure that front line staff from both sectors had the opportunity to meet prior to the launch of the pilot service.

9. Culture Change

Participants stated that the commitment shown by the individuals involved in the pilot had been instrumental. It is clear from their comments that a rapport has developed between the representatives of the social enterprises, voluntary organisations and the local authority as a consequence the co-planning approach. However, some participants expressed concern that these changes exist at a personal level rather than on an organisational basis.

During focus group discussions, culture change came up repeatedly as a topic. If a positive change to the relationship between the two sectors is reflective of limited improved relationships (i.e. personal rather than organisational) then there is a risk that any changes to staff assigned to the project might jeopardise its effectiveness and ultimately the stability of that partnership.

10. Risk

Whilst participants did not (on the whole) express concern about the risk management arrangements for the pilot, they did not appear to be particularly clear at the outset about how the services would be coordinated or operate in practice. RCVS has now assumed responsibility for coordinating the consortium's activities. However the financial arrangements to cover the cost of this role are still not clear.

Renfrewshire Council's social work department is responsible for managing the SLAs associated with the pilot and will take responsibility for managing the contract. However, all parties involved in the management or delivery of the contract are taking on a risk - as is the case with any business

opportunity. It is imperative that consideration is given to how to manage that risk proportionately and effectively.

This project carries an increased level of risk in that it involves working with vulnerable people, such as the elderly, and Renfrewshire Council and NHS Greater Glasgow already have measures in place to account for this. However, in placing the service out to tender, these public sector agencies maintain responsibility for the service but have to consider the additional risk this represents in terms of their ability to control the quality of that service. Consequently, they are likely to take measures to assure themselves as to the quality of provision and of the existence of measures to control risk at a local level. The consortium, which is paid to undertake and operate the service, also incurs risk because it is answerable to the public sector (its client) and is responsible for (at the very least) discrete elements of the service.

Participant feedback suggests that whilst the consortium already has experience of working with this client group, and is continuing with SLA risk management measures already in place, no arrangements have been made to take account of new risks introduced by changes to the service, e.g. brought about by the need for coordination of users across the service. It is clear from discussions with participants that this is an issue that Renfrewshire Council and consortium are both keen to address. The vulnerability of the client group suggests that due consideration ought to be given to the development of an appropriate risk management strategy based upon the experience of operating the pilot.

There are risks associated with entering into a contractual arrangement and working in partnership with other, particularly for the consortium members' parent organisations in terms of liabilities. Before entering into a Service Level Agreement (SLA) or a contract all members would be wise to work together identify and document the risks associated with the project and to document the method by which these elements will be managed, setting out clearly defined roles and responsibilities for all parties. In undertaking similar projects, it is advisable that a strategy be developed to ensure that appropriate procedures are in place to take account of risks associated with service delivery and are proportionate to the risks associated with the ongoing assessment of individual clients.

This has the potential to limit exposure to risk for individual organisations because it will ensure that responsibility is explicitly assigned for discrete aspects of management and delivery. This will also enable the purchaser and the consortium to monitor and coordinate risk management activities more easily. The case for prudence in risk management is particularly strong for social care given the high level of risk associated with working with client groups in this field.

Lessons Learned from ROAR

Benefits

- It is clear that the participants have benefited from improved networking opportunities.
- The benefits of the co-planning approach has not only brought about positive changes in terms of communications between service providers but has also enhanced their relationship with the public sector.
- Across the board, all of the participants expressed confidence in the consortium and its potential to contribute to the improvement of low level care services to elderly people living in Renfrewshire.
- The experience of taking part in the pilot has clearly brought about a positive change in the participants' relationships with one another.
- As a consequence of their experience, partnership perceptions of PSP and its potential to contribute to the delivery of public services.

Key success factors in respect of this PSP pilot:

- The appointment of appropriately skilled development support agents was instrumental to progress.
- Support and resources to provide for consortium building was crucial in building an effective partnership for delivery.

Conclusion

As a consequence of their experience, the participants appear to have learned a great deal about the challenges and practicalities of PSP – most notably that it takes time and requires support to build a consortium and to shape a service by way of the co-planning approach but that there are many benefits to be realised by doing both. These lessons have implications for the wider application of the PSP if the full benefits of using the consortium model and co-planning approach are to be realised.

The work of Renfrewshire CVS in providing holistic development support in the short-term, and managing and co-ordinating the consortium for the medium term has been valued by participants in the social economy and public sectors. This suggests that there may be the potential for CVSs within Scotland to provide development support to public social partnership projects.

8. Public Social Partnership 3: Edinburgh

Consortium	Edinburgh Employment Consortium (EEC)
Members	Organisations invited to attend discussions about the creation of a consortium were as follows: Into Work, Work Track, Streetwork, Apex, Edinburgh Cyrenians, the Engine Shed, Bethany Christian Trust, Restart, West Edinburgh Action Group, Women onto Work, Fresh Start, Places for People, Foursquare, NISUS Scotland, Sorted, Microbeacon, Fairbridge and BRAG Enterprises.
Service	The rationale behind the EEC was to co-ordinate existing support services within Edinburgh to provide an holistic approach to tackle multiple disadvantage, whilst at the same time lengthening the intervention to move the hardest to help into employment.
Public Sector Partner	Capital City Partnership
Pilot Status	The EEC is no longer in development and Forth Sector Development is now working to develop a number of smaller PSPs within the city.
Contract	N/A
Service Users	None
Social Added Value	In addition to moving the hardest to help individuals into employment, the service aimed to add value by joining up existing services and improving efficiencies for the public sector by reducing the need for separate SLAs and grants, as well as providing opportunities to share expertise between consortium members.

The Service

As the Development Agent for the EEC, Forth Sector sought to develop an employment consortium that would bring together suppliers of employability services to support those who were long-term unemployed and disadvantaged in the labour market to increase their prospects for employability and move into employment. Those organisations that attended the group meetings expressed considerable enthusiasm for the concept and they were involved in developing four key principles for the consortium:

- To put the needs of the service users first, i.e. not ignoring an individual's needs or aspirations in order to achieve funders' outputs
- Proper costing/ payment to suppliers for services provided
- Adding value to existing services
- Sharing expertise between partners to achieve common goals.

The model and incorporates 3 key phases:⁵⁴

1. Pre-employment: At the point of entry, the focus would be upon developing service users' soft skills, such as motivation and team working.
2. Supported employment: The model provided for placement within a social enterprise or voluntary organisation, providing a supportive working environment for service users.
3. Social recruitment agency: The agency would have placed clients in temporary and permanent work roles with local employers and provided them with support and training throughout.

Co-planning the service

Each of the partners became involved in the service design process, as it was anticipated that this would increase the probability of achieving sustainable outcomes. It was also thought that this inclusive approach would be mutually beneficial to all members of the consortium, in enabling them to share good practice.

Yet the service (and consortium) proved unsuccessful. However, there is still considerable interest in developing an employment focused PSP in Edinburgh. The Edinburgh Social Economy Partnership are supportive of Social Enterprise Edinburgh undertaking such development work, but following the end of

⁵⁴ See appendix 10.3.3

EQUAL funding in December 2007, additional resources will be required to be allocated if such work is to continue.

In this vein, the following projects are under development:

Abacus

Forth Sector worked with the Cyrenians and Bethany to undertake a feasibility study and to provide support for business planning in respect of a stair cleaning and maintenance service providing supported employment opportunities for people experiencing homelessness. The research phase was successful but at the point where Cyrenians and Bethany began to seek start up funding and considered forming a joint venture company to take this forward both organisations agreed that the timing was not right. The Abacus is currently on hold.

PARC (The Wise Group)

The Wise Group is an organisation that carries out construction related activities whilst providing intermediate labour market opportunities for the unemployed. The Wise Group has been looking at tender opportunities around the Regeneration of the Craigmillar area (Edinburgh). Discussions thus far have focused upon the use of social clauses to take account of the potential for social added value. Key opportunities considered included the construction of a dry-stone dyke wall and a toilet block but PARC are presently. Yet, more work is required if such opportunities are to bring about mutual benefit to both organisations.

PARC (The Woodworks)

Edinburgh's regeneration areas are under consideration by social enterprise, The Woodworks, based upon demolition work currently being undertaken by PARC. The potential for waste management solutions, which would see wood recycling and reuse, are being pursued through City of Edinburgh Council.

Restart

Restart, Forth Sector's employability service, is currently pursuing two potential PSPs within the city. The first is with NHS Lothian to design a mental health service to fit with the forthcoming city strategy. The second involves the design of a mental health service to meet the needs of the NEET group. Both are in the initial stages of development.

Cyrennians

The Cyrennians have developed a good knowledge of the food waste sector. They are presently receiving development support from Forth Sector to

develop a business model which provides for a food waste composting business in partnership with local schools.

Key Lessons

Although the development and construction of the Edinburgh Employment Consortium was not successful, many factors (not least context) led to this outcome and it is important to stress that for this reason the concept itself cannot be considered to be flawed.

The key factors in respect of this particular PSP project are:

1. Defining the Problem and Solution
2. Scope and Scale
3. No Co-planning Approach
4. Commitment
5. Public Sector Champion
6. The Consortium Model
7. Development Support
8. Time constraints

1. Defining the Problem and Solution

The notion of the Edinburgh Employability Consortium (EEC) was never properly defined and lacked full development within the concept stage. This lack of definition centred around agreeing the problem and the solution. Both the public sector agency and the social economy recognised that there was a need to join up the existing services within the city (to provide a solution to multiple disadvantage) but this was too loose a definition. This lack of definition meant that the solution proposed by the social economy was too wide ranging, large and complex an undertaking to be successful at this early stage of Scottish PSP development.

Further, because Capital City Partnership was the sole public sector partner, and other public sector agencies such as the Job Centre Plus and the City of Edinburgh Council have an interest in the development of a problem/solution axis in this field, the scope and resources available to support the development of a solution proved insufficient to this undertaking. This lack of involvement and ownership by the range of public sector agencies with a vested interest meant that the service design did not benefit from their input either.

What drove the social economy sector was that there was a clear need for a new approach to service delivery for those clients facing multiple disadvantage, and for greater co-ordination of services to provide for a more person-centred approach to service delivery.

The end result of this was that although some public sector interest was expressed, CCP were keen to see how the concept developed before any commitment was given. As there was no strong buy in to the concept from the public sector, no strong business case existed to support the EEC. This also meant that a co-planning approach was not fully employed during the concept stage.

Without public sector involvement, several social enterprise and voluntary sector organisations went on to identify a solution which the public sector had not in reality bought in to. This meant that the social economy sector was free to outline the key principles of the consortium without taking to account key criteria that the public sector might have wished to include. As a consequence, efforts to engage the public sector following on from the design phase were unsuccessful.

Given the complexity of the employability problem (in that so many agencies and organisations have an interest in this particular problem) then it may be argued that a public-social partnership approach was not the right response to the problem. Instead, an Employability Development Partnership, which brings together key public sector agencies to work alongside both the private sector and the social economy sector, to design and deliver solutions to this highly variable problem may offer the best solution.

2. Scope and Scale

The EEC sought to bring together a range of services operating within the Edinburgh area. This involved more than 15 local organisations and therefore made the structure of the consortium very cumbersome and became impractical in terms of collective decision-making about key aspects of the service design. The sheer number of organisations involved presented further difficulties when arranging meetings, and upon no occasion were all members of the consortium ever able to attend.

There were also a number of concerns expressed by potential consortium members about how the quality the services of other members might dilute the impact of their particular service. In practice, this meant that not all of the members were willing to work alongside each other.

These issues would be less likely to arise if there were fewer organisations involved, the field of operations not so wide, and if a better match could be found with regards to the quality standards of each organisation.

3. Co-planning Approach

During the development of this pilot two potential rivals to EEC emerged within the city. These projects both aimed to offer elements of the service that EEC aimed to offer, but did not offer the length of intervention or present

a method to combine the expertise of the wide range of employability organisations within the city.

Despite being fundamentally different to the EEC both of these services had public sector buy in. This served to decrease public sector support for the EEC, and reduced the possibility of obtaining match funding from local public sector agencies. This was significant barrier to success for the EEC, but it is reasonable to argue that it is also a problem which is specific to locality (i.e. Edinburgh) and may not have occurred elsewhere.

4. Commitment

What is clear from the Edinburgh Employment Consortium is that there needs to be commitment from all stakeholders, at a very early stage, if the concept is to progress to become a service.

In the case of the EEC, the original impetus for the concept had come from the Capital City Partnership (CCP) who had approached the Edinburgh social economy and asked them to develop the concept. Despite this, CCP did not commit any additional resources, or assist in further developing the idea, and therefore stood to lose nothing if the concept was not taken forward. In contrast to this, the social economy had committed time and resources, as well as attracting funding to support the development of the concept on the basis of CCP involvement. CCP then moved onto develop the concept on their own (as one of the rival services) leaving the social economy without a public sector partner. A key lesson to be learned from this example is that commitment must be demonstrated on both sides before moving forward, i.e. each group must have a vested interest in development of the concept.

The lack of commitment from the public sector had a knock on effect which meant that it was not only more difficult to develop the concept but less attractive to the social economy as a model to buy into. CCP is a funder to many of the organisations considering membership of the consortium. Arguably, this may in turn have influenced their commitment to the concept.

5. Public Sector Champion

The original concept behind the EEC was presented by one individual from CCP. It appears that this support did not filter throughout the organisation. The existence of a champion within CCP would have encouraged the entire organisation to buy into to the concept. When the EEC lost the commitment of CCP it was necessary for them to find an alternative public sector partner to buy into the concept. Attempts at attracting any further public sector champions/ partners were unsuccessful.

6. The Consortium Approach

In developing the EEC, it was necessary to consider the needs of the social enterprises and voluntary organisations involved. As a key principle, it was agreed that the service design should ensure that all organisations received a fair price for the services that they provided. In the longer-term the plan was that the EEC would rely primarily on contract income to run the service, with the remainder of operational costs to be recouped through the social recruitment agency. Yet a lack of public sector of buy in meant that no additional resources were provided to pilot the service and therefore funding required to be sought out.

The EEC was made up of social enterprises and voluntary sector organisations that received no core funding in order to sustain their services and many were facing funding shortfalls due to changes in local funding. In the majority of cases, the organisations relied on a mix of funding or Service Level Agreements to run their service. Given the lack of problem/solution definition there was confusion over whether the proposed consortium was being developed for a specific contract or a range of contracts/funding streams and this made the risk of entering into such a venture much higher.

At the same time as the early development work for the EEC began, the Scottish Executive announced a 50% reduction in European funding over the next operational programme. The European Social Fund Operational Programme 2007-13⁵⁵ therefore sought to redesign the programme to take account of the vast reduction in funds. A minimum project threshold of £200,000 was introduced in order to support the development of the most strategic projects with more significant impacts, to encourage smaller projects to work together in partnership and reduce the amount of funds being allocated towards administration costs.

The implications of these changes were potentially very good for the development of the EEC, as smaller social enterprise and voluntary sector organisations were being encouraged to work together in partnerships in order to meet the minimum threshold. There was potential to submit a collective application on behalf of the consortium, but this required considerable commitment from the members. Unfortunately, this commitment was not forthcoming as some organisations were in a position to submit their own individual application and were concerned that a collective application could be harmful to their likely success.

⁵⁵ Scottish Executive (2007) Operational Programme, European Social Fund 2007-13, Lowlands & Uplands Scotland [online] available at: <http://www.scotland.gov.uk/Resource/Doc/917/0049576.pdf> (20/08/2007)

A further impact of the reduction in ESF funding was that the competition for other funds increased making more difficult to gain money from alternative sources. It could be argued that the problems in attracting funding for the consortium were largely the result of circumstances at this particular time, and that had the service had been piloted earlier there would have been fewer barriers to attracting funding. As a consequence of the lack of funding available to the pilot, the social enterprises and voluntary sector organisations were not confident enough in the likely success of the service and as a result were not willing risk not pursuing other avenues available to their organisations at that time.

7. Development Support

As in the case of the other two pilots, development support proved integral to this pilot. It was the role of the development officer to bring the social economy organisations together to discuss how a solution could be developed to meet the needs of service users.

Many of these organisations had not worked together before and were often in direct competition for funding. Initial attempts to set up meetings to generate discussion were unsuccessful, with very few organisations attending regularly. In order to generate more interest from the social economy it was necessary for the development officer to visit some of the organisations on a one to one basis to present the premise behind the idea. This allowed the concept to gain support within the social economy sector in Edinburgh, and resulted in two successful group meetings to discuss the concept. The role of the development officer in achieving this was fundamental, and without this type of support the PSP would not have reached this stage.

Forth Sector Development was the development agent for the Edinburgh PSP but Forth Sector's pre-existing activities within the city may have meant that they were an inappropriate development agent to drive forward the PSP. From the perspective of social enterprise and voluntary organisations it was clear that they were wary of Forth Sector Development because its organisation has a vested interest in employability.⁵⁶ It is clear that the role of development agent has been an important one in this case, but it is important that a development agent can be and is viewed as being impartial so that organisations around the table are more willing to trust and to buy into the concept being promoted.

8. Time Constraints

The EEC faced significant time constraints compared to the other 2 PSP pilots. At the point of this evaluation, PSP work in Edinburgh has only been ongoing for a year. This evaluation acknowledges that the other PSPs experienced

⁵⁶ Forth Sector exists to provide employment opportunities to people with mental health problems.

significant culture issues during the first year of development, and as such the evaluation has not been able to take account of learning at this crucial time for the EEC PSP.

It is also worth noting that initial work to develop the EEC PSP began in March 2006. The first contract opportunity was put out to tender in July 2006 and the EEC was in no position to tender at this stage. Despite this, efforts were expended on tendering. The bid proved unsuccessful, and as a consequence many consortium members were left disillusioned by the process.

Lessons Learned from EEC

Despite the negative outcome of the Edinburgh Employability Consortium PSP, lessons can be learned:

- A problem and solution need to be clearly defined and receive buy in from stakeholders in both sectors.
- A development partnership approach may have been more appropriate than a public-social partnership given the scale of the problem being considered and the wide range of stakeholders involved.
- The public social partnership concept needs a public-sector champion to drive it forward and take ownership.
- Consortia take time to develop and time needs to build into the PSP process to allow for this.
- Public social partnership is not a quick fix. The development process should focus on meeting the requirements of purchasers and improving outcomes for service users. This takes time and requires careful development, design and piloting of services. Work to do this cannot be fast-tracked to meet short timescales on tender opportunities.

Conclusion

This PSP clearly lacked definition, and lacked commitment from both the public sector and the social economy sector. If PSP is to be used to support the development of more user focused services (particularly for vulnerable client groups such as those at a disadvantage in the labour market) then a stronger sense of direction and more tangible input is required from both sectors. With respect to this particular problem, which is ambitious and complex, it may be the case that a more sophisticated partnership (one which also involves the private sector and individuals operating at a range of levels across all three sectors) is required in order to drive the development of a more stable and thorough response to the problem which takes account of expertise within all three sectors.

9. PSP Conclusions & Recommendations

Scotland is on the cusp of realising wider social benefits through the opportunity to take account of the potential for social added value in procurement through Public Social Partnership (PSP). However, as is apparent from the transnational and contextual chapters of this evaluative report, Scotland at present is markedly less conducive to the development of PSP than its European counterparts.

The Italian approach to PSP, which is heavily reliant on the Italian consortia model, appears to yield far greater results when compared to public service delivery achievements in respect of the Scottish social economy sector. The EQUAL programme has provided the opportunity to try out the Italian model as part of a project to pioneer new approaches within Scotland. On this basis, the three Scottish pilots realised varying degrees of success in employing the Italian consortium model and co-planning approach. It is clear from the preceding chapters, a great deal has been learned as a consequence of operating these pilots.

Conclusions

There are no legal reasons why the PSP co-planning approach and consortium model cannot be rolled out. However, there are a number of significant challenges ahead if PSP is to play any discernable role in public service delivery within Scotland.

The procurement agenda is currently gathering pace, as a consequence of the new pan-European regulations and corresponding changes to national legislation. The public procurement reform programme includes a number of ambitious proposals to modernise and professionalise procurement activity across Scotland, and is having a major impact on public sector outsourcing. Such developments are bringing about major changes within the marketplace and will have major implications for the way in which services and goods will be bought by public sector agencies in the future.

It is imperative that the expertise of social enterprises and voluntary organisations is not lost as a consequence of new systems and instruments which do not recognise their potential to provide social added value. Otherwise, the ability of such organisations to win public sector contracts is likely to be greatly reduced, as the marketplace becomes increasingly more competitive.

If social enterprises and voluntary organisations are to contribute to the achievement of excellence in public services, and to help public bodies to achieve Best Value and Value for Money through the procurement of goods and services, the following recommendations ought to be given serious consideration.

Recommendations

A key aim of this report is to distil information about the Italian consortium model and to make recommendations to stakeholders about how the model might be employed as a vehicle for success with respect to public-social partnership in Scotland.

The policy environment, now more than ever, acknowledges the potential of PSP. At grassroots level, however, more must be done to help to raise awareness of the potential for social added value through PSP. The allocation of resources and support to future pilots would not only advance the refinement of processes involved in consortia development and the co-planning approach but could also help to promote good practice.

For PSP to realise its full potential, actions are not only required on behalf of the public sector, there are also some very important lessons to be learned by those working within the social economy sector. With that in mind, stakeholders are encouraged to give careful consideration to the recommendations below:

Policy makers

- Support the development of programme of 10 to 12 public-social partnership pilots to further test and refine the approach within a Scottish context. This programme should be focus on the outcome of improving public service delivery.
- Create a Public Social Partnership Development Partnership involving key stakeholders from the Scottish Government, local authorities, public agencies and the social economy sector to oversee the public-social partnership pilot and to disseminate results of this approach.
- Consider the introduction of ambassadors (and public sector champions) to promote the concept of PSP and to support the role of pilot PSP projects.
- Support and encourage public sector agencies to emphasise the quality aspects of Best Value, and (where appropriate) to encourage public sector agencies to put this into practice by using tender criteria to give equal weighting to quality and price.
- Promote the concept of 'social added value' and an understanding of the tools that might be used to evidence impact.
- Support social enterprises through improved access to investment and opportunities for development support.

Procurement Professionals

- Consider opportunities for strategic procurement, which take account of the potential for social added value and the potential for pooled budgets, and include explicit criteria to take account of social elements within tenders. This should be undertaken in a manner which is proportionate and appropriate to the subject matter of the contract.
- Where possible issue multi-annual contracts in order to give suppliers an opportunity to demonstrate their effectiveness and an incentive to invest time and resources in doing a job well.
- Take heed of the Scottish Government's Compact recognising the need to meet the full cost of service delivery, regardless of supplier type, and to appreciate that the attainment of social added value might cost more up front but that any cost is still likely to be lower than the longer term implications of not giving due consideration to public bodies' strategic objectives. This concept is compatible with the notion of whole life cost in respect of procurement and is based upon an invest to save approach.
- Undergo training in public social partnership and other instruments (e.g. the use of social clauses) to support the undertaking of strategic procurement in order to achieve the ambition to deliver world class public services.
- Ensure that the public sector is even-handed, in terms of involving other groups in dialogue about future service delivery, and ensure that the specification of a service is not skewed to favour one group over another.

Service Commissioners

- Act as a bridge between the social economy and public procurement staff to embed public social partnership as a way of doing business and to improve public service delivery.
- Undergo training and support to enable them to take a more strategic view of their work – in a way that encourages cross departmental/ service working – ensuring public sector staff work better together to join up solutions wherever sensible.

Social Economy Sector

- Social enterprises and voluntary organisations should focus on consortia development as a key tool in engaging with the changing public service delivery market.
- Consider alternative models for delivery in response to the changing shape of contracts within the sector and consider carefully how best to meet the needs of the public sector customer.
- Demonstrate any claims about social added value. If this is with respect to service users, as suppliers social enterprises and voluntary organisations must ensure that any claims to provide social added value can be clearly articulated and evidenced. Such organisations should consider making an approach to relevant public sector agencies to ascertain how such expertise might be taken into consideration within the types of tenders they might take an interest in.
- Take a more professional approach to risk management, performance measurement and evaluation by recognising that impact must be evidenced, and effectiveness planned for and demonstrated.

10. Appendices

10.1 The Italian Method

- 10.1.1. Questions for the Consortia in Turin
- 10.1.2. A SWOT Analysis of the Italian Method

10.2 The Scottish Experience of the Italian Method

- 10.2.1. Focus Groups: Summary Analysis of Key Points (SWOT)
- 10.2.2. Survey: Questions and Responses (SWOT)

10.3 The Pilots

- 10.3.1. Homereach (North Lanarkshire) Service Design
- 10.3.2. ROAR (Renfrewshire) Service Design
- 10.3.3. Edinburgh Employment Consortium (Edinburgh) Service Design

10.4 Glossary

10.5 Bibliography

10.6 Acknowledgements

10.7 Disclaimer

10.1 The Italian Method

10.1.1 Questions for the Consortia in Turin

What kinds of organisations make up the consortia?

- What kinds of goods and services do they provide?
- Did they form the consortia or did the consortia form and then recruit member organisations?

When did this begin to happen and is it common across the whole country?

- Was this a bottom –up development responding to specific local needs or borne out of national strategies?
- What were the catalysts for the consortia developing in Italy at this time?

What are the benefits of this approach for:

- The individual organisations?
- The service users/beneficiaries?
- Local government?
- What role do the consortia play?
- What additionality do they bring?

What is the relationship between the consortia and the public sector?

- Do they get preferred supplier status?
- Are other voluntary organisations and social enterprises therefore precluded from procurement opportunities?

How are the consortia funded?

- Do they distribute funding to member organisations?
- Do the consortia or the member organisations apply for grant funding?
- Does the increased scale preclude them from certain funding streams or place a limit on trading activity?
- Has State Aid been an issue?

What legal structure is used?

- Does the legal structure follow for other forms of partnership working?

How were the consortia established?

- How long did the process take?
- Were aspects of it piloted?
- Who led the process?
- How was it funded?
- What costs were involved? Additional staff requirements?

How are ongoing developments managed?

- Is there a national consortia network?
- How is learning disseminated?
- How has the process been evaluated?

10.1.2 A SWOT Analysis of the Italian Method

Strengths

Specialisation - One of the keys to their success is that each cooperative within the consortium stays specific to its role in order to compliment the others. Consortia present strong networking opportunities and allow members to share experiences and good practice.

Consortia assist cooperatives - They offer support, training, consultancy, accountancy, legal and marketing services and can help in preparing tenders, as well as providing networking opportunities and a host of other services. They also offer training and support to local authorities.

Strong link to territorial communities - although there is no preferred supplier status per say, local knowledge is recognised by social clauses. Where services are now provided by social cooperatives there is a much improved, closer and stronger connection between citizens and their services.

Financial (and other) support/ incentives - Pay full salary to beneficiaries but can claim back 30% from public sector by way of certificate. In turn, public sector benefits because in longer-term the beneficiary has moved closer to the labour market and it is a condition that the cooperative must have a place for them at the end of the period – i.e. that they are able to continue their employment. Thus they are removed from the employment benefits system.

Tax system is favourable and supportive – coop's reserves are not taxed and they are usually VAT exempt or at least see a reduction. Beneficiaries are also exempt from paying national insurance.

Performance review groups (formed to manage contracts and usually comprising public sector officers from across departments) hold regular meetings with the social economy partner. These meetings are taken very seriously and focus on all aspects of delivery and consider the views of all stakeholders. They are constructive and inclusive.

Consortia - The consortia fulfil a strategically useful role in enabling the sector to grow, without individual cooperatives expanding beyond their capabilities rather than cooperatives constantly taking on new contracts and stretching their competencies too thin. A consortium can also assist in the creation of a spin off cooperative – in this way, they remain at a size which is still appropriate to enable their members to identify with them and to be properly involved in management and policy direction.

Consortia can provide preferential lending arrangements through agreements with local banks and can guarantee a bank loan and a contract with a local authority.

Weaknesses

Timing – because public sector contracts are awarded for 1-3 yr periods (usually 3) there is little time to make a big impact. Anecdotally, one cooperative explained, “You spend much of Year 1 getting to grips with the staff that have been kept on from the previous organisation. Year 2 you’re really just getting to grips with the authorities and what it is that they want to be delivered and Year 3 you’re really just starting to do things well before the call for tenders is issued and the process begins again. For these reasons, lots of cooperatives are starting to look for work outside of the public sector.” Estimates put current income ratios at 4:6 for the division between public private work.

Opportunities

Cooperatives must see the consortium as an opportunity not a trap – so there is a heavy emphasis on an exchange of competencies and upon networks and cooperatives are not obliged to just work within the consortium.

Consortia – These arrangements allow cooperatives to bid for contracts that they probably couldn’t win as a single cooperative - i.e. The consortium is the answer to problems of scale - it acts as a bridge to small cooperatives in winning tenders. Consortia can also help to develop the internal market – they build job opportunities where they previously did not exist – e.g. cleaner for 1 hour per day is not a job but for 7 locations at 1 hour per day = a seven hour a day job can be created.

Relationship with the public sector - No preferred status but good relationship with the public sector and formal recognition (i.e. within contracts) of the sector’s potential to deliver social added value, primarily through employing people who are otherwise disadvantaged in the labour market.

Threats

Danger of ghettoism – this is offset to some extent by the growth of consortia and their expansion into new areas.

Competition – The private sector can and in some cases does win contracts. However, where employees are protected (through the provision of places for targeted recruitment and training) the successor must accept responsibility for continuing with these arrangements.

10.2 The Scottish Experience of the Italian Method

10.2.1. Focus Groups: Summary Analysis of Key Points (SWOT)

North Lanarkshire Council/ Homereach

Strengths

- Partnership/ collaborative approach
- Recognition for social economy sector and of importance of furniture recycling
- Involvement from four NLC departments – housing, social work, economic development and community services (waste)
- Social economy organisations have good track records
- Opportunity to develop social economy sector - strengthening and increasing capacity of organisations (by way of structures and processes)
- Funding from EQUAL and NLC to support consortium development
- Outside organisation to facilitate – independence and autonomy and specialist advice around marketing and legal issues
- Willingness of organisations to be developed and to take risks
- Support from senior staff in the Council with additional funding until contract is in place
- Support mechanisms in place at present
- Acknowledgement and adoption of good practice

Weaknesses

- Lack of project management with no targets or milestones set
- Teams not fully aware – poor communication
- Too many reports and not enough meetings
- Lack of Funding sustainability
- Lack of knowledge of scheme and referral process
- Guidelines need to be marketed
- Need for 'champions' named in area teams
- Scale increases the risk for projects
- CRNS didn't have influence over NLC particularly at frontline level
- Council staff at grass roots level have not bought into the process
- Lack of engagement between referrals and Tenant Support Officers

Opportunities

- Partnership/ collaborative approach
- Recognition for social economy sector and of importance of furniture recycling
- Involvement from four NLC departments – housing, social work, economic development and community services (waste)
- Existing organisations in place with good track records
- Opportunity to develop social economy sector by way of strengthening and increasing capacity of organisations (by way of structures and processes)
- Funding from EQUAL and NLC to support consortium development
- Outside organisation to facilitate – independence and autonomy and specialist advice around marketing and legal issues
- Willingness of organisations to be developed and to take risks

- Support from senior staff in the Council with additional funding till contract is in place
- Support mechanisms in place at present
- Acknowledgement and adoption of good practice

Threats

- No contract leading to potential redundancies and closure
- Projects can't deliver to capacity
- Projects under-insure furniture
- Political issues
- Hostility from commercial sector
- Funding sustainability
- Cash flow problems around late payment
- Too expensive for furniture packs/ storage that's why we haven't used
- No Development Officer post after 2007
- Lack of furniture supply to meet core business needs
- Withdrawal / disagreement
- Legal penalties for not fulfilling contract Lack of financial management skills relating to contract

Renfrewshire Council/ ROAR

Strengths

- Working together (both in terms of the services/ collaboration with public sector) has led to improved inter-organisational/agency communication
- Joint planning/ working to develop service has led to joint ownership of service
- This evidence based approach (based upon practical experience of service providers) has benefited the service design as a consequence of sharing of experience and good practice by consortium
- Joint perspectives have shaped the service - Sharing experience and expertise between sectors is of benefit to everyone!
- More options for beneficiaries – wider range of services
- Project outcomes should see real empowerment for elderly people
- Strong commitment (individuals and agencies)
- Aim to recruit elderly people (in terms of service and representation)
- Funding opportunity came at the right time to support development of this PSP and to provide essential resources to support the development of the consortium
- The consortium approach makes sense in terms of spreading risk between organisations and allows for the sharing of resources and larger organisations are also able to support the smaller ones
- The consortium can benefit from shared management and support which they may be unlikely to access alone
- There is potential for consistent monitoring and evaluation (single point)
- Members of the consortium are more powerful working together. The PSP has enabled capacity building (the sector's equivalent of R&D) in terms of improving each organisation's knowledge base
- Consortium can draw on shared strengths and experience.
- Increased networking opportunities/ new professional networks have led to better links to one another's initiatives.

Weaknesses

- Time - it's taken a while to get things up and running but it is a learning experience and it's fair to say mobilising groups who are not used to working in this way is always likely to take some time
- Resources – Funding doesn't cover all of the participating organisations during this learning period. Must be recognition (and money attached) to the development period – it takes time to shape services and build capacity – costs should not purely be based upon operational projections. Time spent by individual staff also not always covered.
- Service provision – one member dropped out because no one agreed to fund although SDG thought would be good for them to be a part of the service – didn't have the confidence at the time to articulate the holistic vision for the service
- Lack of clarity – Staff (Development Officer) articulating nature of project. Required support and appropriate skills difficult to get message across which were lacking at first.
- Lack of clarity about resources for project
- Procurement process doesn't specify money up front
- Social Work not always recognising existing services from individual organisations
- The consortium is still fairly fragile – requires continuing support and development at this stage

- More might have been done to develop core values and to define (more clearly) the consortium's mission
- The process would probably have benefited from a clearer gauge of need and resources at an earlier stage within the project – need identified and then money found rather than a service (and associated monetary value) brought for consideration by the consortium
- Lack of clarity about the nature of relationship sought by the local authority

Opportunities

- To improve the quality of life for elderly people
- Demonstrate that elderly people are of value and still have much to offer
- Engage volunteers in making a practical difference
- If able to deliver successfully then there is the potential to affect a culture change within all of the participating organisations (purchaser and services) and ideally bring about a lasting positive change in terms of their relationship
- Link to other services in order to provide a more holistic service (which recognises and encourages others to recognise that caring for the elderly is everyone's responsibility) – future partnerships with e.g. arts and culture, sport and leisure, etc.
- Potential to link into the community planning structure to help to shape services around the user rather than the other way around. Potential for community development opportunities to be used to redefine public services – e.g. Community Planning Forum etc.
- Demonstrate value of preventative intervention (esp. in terms of the long term impact this has) – i.e. demonstrate social added value
- Potential for research and engagement and involvement in planning services
- Utilise existing staff more fully and make the most of their skills (e.g. research project for MSc)
- Create jobs and volunteering opportunities
- Create a more consistent and higher quality of service
- Opportunity to demonstrate and to stress the social added value in social economy sector organisations delivering to the public sector
- Opportunity to raise awareness of benefits of PSP and value of social economy organisations as well as the value of volunteering
- Potential area for growth (delivering public services) for social economy organisations in general
- Opportunity to upskill and increase capacity of social economy orgs
- Maybe an opportunity for CVSs and SEPs to play a stronger role in developing and upskilling consortia (and other models) for PSP delivery and in continuing with light touch support to new consortia
- May pave the way for the formalisation of services already being delivered currently but by way of inadequate funding (e.g. grants that don't cover full costs..) Other models would have been more limited in terms of the service they could deliver
- PSP model which was pilot was far less restrictive than other methods of delivery

Threats

- Competitors in difficult funding environment – parent organisations are trying to draw down funding to cover the project during the development stage but the funding environment appears increasingly competitive

- Unclear how to demonstrate social added value and little resources to cover the additional work/cost of doing so – if not done, how can social economy evidence impact and make a case?
- Potential for inconsistency given no centralised fund to cover systems and monitoring – quality control and effective monitoring an issue
- Staff leaving – would have a negative impact on resources (in terms of skills and numbers)
- Competitors – if at some stage move to contracts (presently considering SLAs)
- Inability to attract volunteers (lack of supply)
- Lack of funding/resources to support the development of the fledgling consortium
- Focus of public sector on VfM over Best Value (and narrow application of BV concept as a byword for VfM..)
- Lack of public sector appreciation for the big picture ('whole life costs') when composing and awarding contracts

10.2.2 The Survey: Summary Analysis of Responses

Each of the participants was asked about the extent to which they agreed with the following statements. (1 = Do not agree; 3 = Neutral, 5 = Strongly Agree) The average (mean) score is shown. Where '/' is included the text that follows is the question posed to the 'purchaser' and 'other' participants. The survey received a 36% response rate. 36 people were invited to take part in the survey and 13 responses were received in total.

	North Lanarkshire	Renfrewshire
Developing a Model to Deliver Services to the Public Sector		
The consortium approach is my preferred model for delivering this particular type of service to the public sector.	3	4
There are other models available which could have achieved the same (or better) results with respect to this service.	3	3
The consortium approach is transferable and well suited to social economy organisations seeking to deliver public services.	3	4
I would recommend the consortium approach to others considering the development of a similar service.	3	4
The Process of Developing a Model to Deliver Services to the Public Sector		
The consortium has achieved/is making good ground towards the achievement of its original objectives.	3	4
As an individual, I have benefited from the experience afforded to me by my involvement in this pilot.	3	4
My organisation has benefited from the experience of being involved in this pilot.	3	4
The process of developing a consortium has taken longer than I had expected.	4	5
The process of shaping and developing the overall service has taken longer than I had expected.	4	5
The process of shaping and developing the overall service has benefited from sharing our perspectives as a consortium/ steering group.	4	4
The process of shaping and developing the consortium was sufficiently financed.	2	3
The process of shaping and developing the consortium was effectively supported.	3	4
Consortium Management		
I am clear about how service users will access the services to be delivered by consortium members.	4	4
I am clear about how the consortium's services will be coordinated./ I am convinced that the consortium has (or will have) in place effective mechanisms for the coordination of its services.	3	4

I am confident that continued costs for coordinating/managing the consortium have been taken into account (Not purchaser/ other)	2	4
I am confident that there are appropriate measures in place to evaluate the quality of the consortium's services. (Not service provider)	3	4
I am clear about how the consortium will monitor and evaluate its effectiveness./ I am confident that there are appropriate measures in place to evaluate the effectiveness of the consortium's services.	3	4
I am clear about the financial implications of my involvement in the delivery of this service. (Not purchaser/ other)	1	4
I am confident that the consortium has taken account of and put in place effective measures to manage risk/ I am confident that there are appropriate risk management measures in place for the service.	2	4
I am confident that the consortium will be able to demonstrate(with evidence) the extent to which it can deliver social added value.	3	4
I am clear how we (as an organisation) will access the services of the consortium. (Purchaser only)	4	3

Funding

There are effective funding arrangements in place to enable the pilot to deliver on a short-term basis (1 year).	2	4
There are effective funding arrangements in place to enable the pilot to deliver on a medium-term basis (2-3 years).	2	2
I am confident in the consortium's longer term financial sustainability.	2	3
I am confident that my organisation will benefit financially from being part of the consortium (Not purchaser/ other)	2	3
I am confident that the services can be delivered (at least on a short term basis) for the monies allocated. (Not purchaser/ other)	1	4
I am confident that the value of the contract to be awarded will meet the costs of delivering the service. (Not service provider)	2	3
I am confident that my organisation will benefit financially from the proposed service.(Not service provider)	2	3

The Overall Experience of Participating in the Pilot

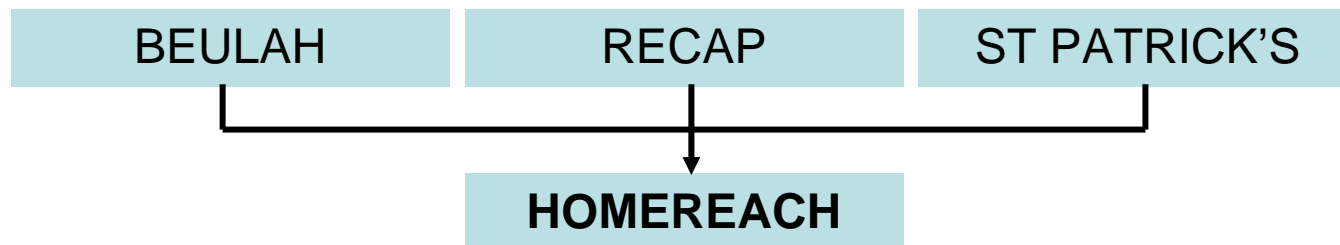
As a consequence of our involvement in the pilot...		
- there has been an improvement in terms of the dialogue between our/my organisation and the public sector/ participating social economy organisations.	3	4
- we (as an organisation) have made internal changes based upon what we have learned from the experience.	3	4

- we will be able to provide better services to our beneficiaries/ the beneficiaries will benefit from resulting improvements to their services.	3	4
- we expect to be able to attract more funding to support the delivery of services such as those covered by the pilot. (Not purchaser/ other)	3	4
I am confident that the consortium is/will be able to deliver the services we have developed.	3	4
I have received support from my own organisation to participate in the project.	4	4
I feel that I understand the nature of the relationship we now have with the public sector/ the purchaser has (will have) with each of the participating social economy organisations.	4	4
I feel that I fully understand the implications of the formal agreement we will have in place with the public sector. (Not purchaser/ other)	3	4
I feel that I fully understand the implications of the formal agreement we (will) have in place with the consortium.(Purchaser only)	3	4
The consortium has the potential to provide social added value in relation to the delivery of services to the public.	4	5
The experience of participating in the consortium has enabled us to build stronger relationships with... (Not purchaser/ other)		
- other social economy participants.	4	4
- individuals working within the public sector.	4	3
- the public sector body as a whole (i.e. the purchaser).	3	4
My involvement in the pilot has had... (Purchaser only)		
- a positive impact upon my personal view of the social economy sector.	3	4
- a negative impact upon my personal view of the social economy sector.	3	2
- improved my own understanding of the social economy sector.	3	4
As an organisation, the experience of participating in the consortium has enabled us to build stronger relationships with... (Purchaser only)		
- each of the social economy participants.	3	4
- other individuals working within the public sector.	3	4

10.3 The Pilots

10.3.1. Homereach (North Lanarkshire) Service Design

The three organisations below have established a new company limited by shares (Homereach) which they jointly control. This organisation negotiates with the local authority and, in the event of winning the tender for the proposed service, will hold the contract and sub-contract the work out to all three parent organisations.



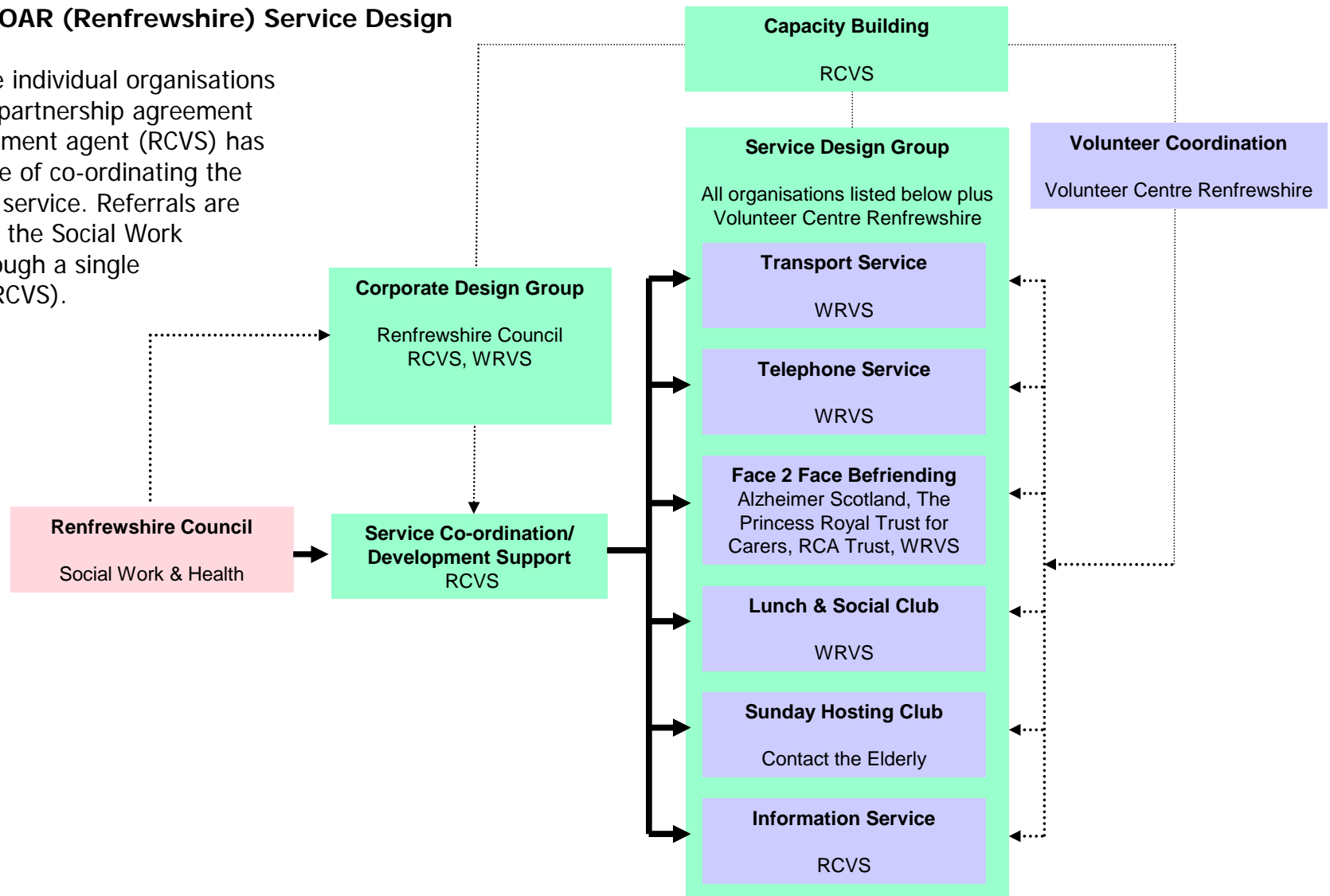
This model ensures that:

- The shareholders would have no liability if the Company collapsed as long as they had paid for their shares.
- The number of shares that each project holds would pin down exactly how much of the company each project would own.
- The arrangement for splitting up the profits would be set in advance.
- Having charitable status means that it can still get tax and rates relief (note, all of the shareholders would have to be charities).

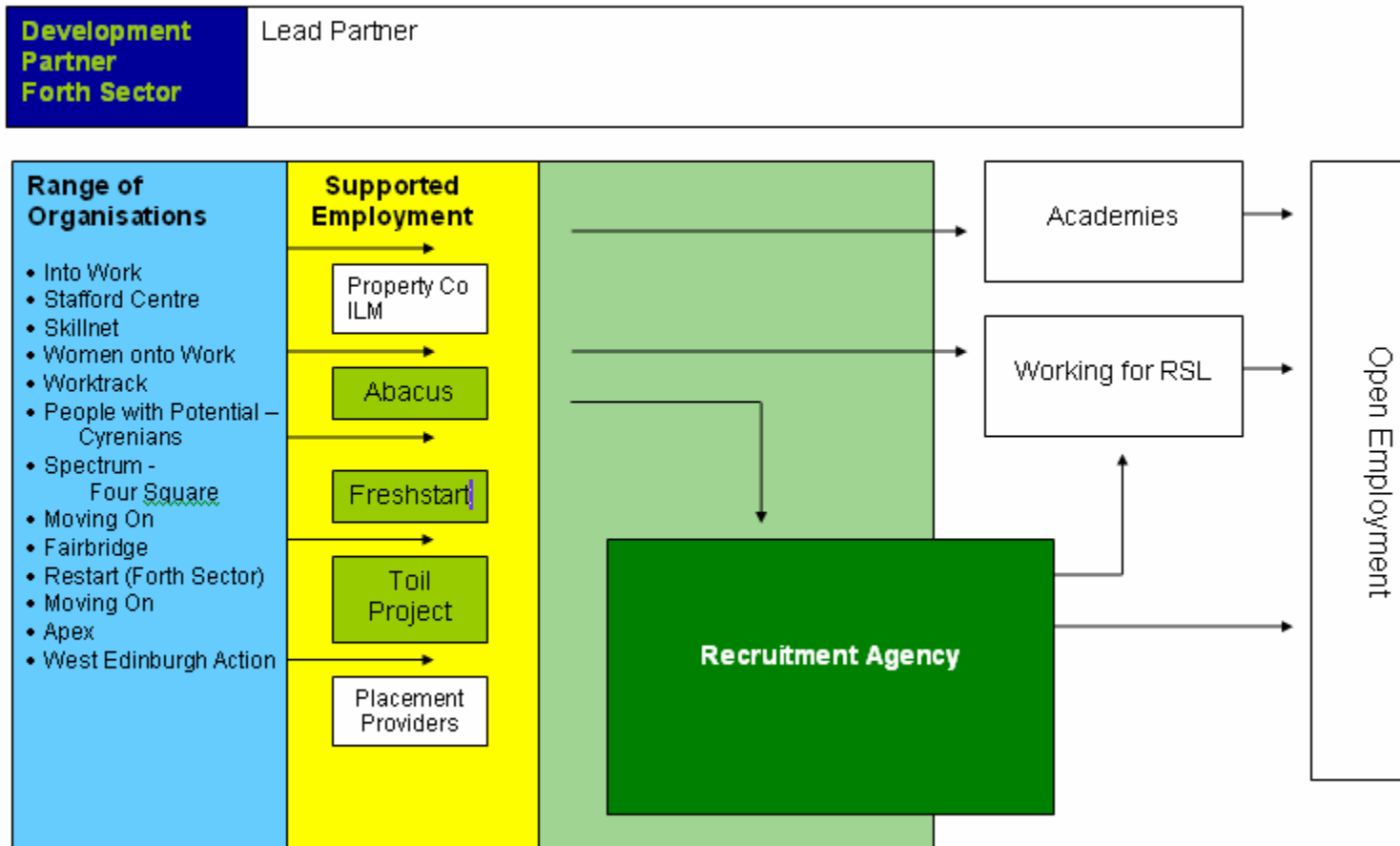
The model was chosen based upon legal advice from the team at Burness and has informed the forthcoming 'Guide to Developing a Consortium'.

10.3.2. ROAR (Renfrewshire) Service Design

At present these individual organisations have in place a partnership agreement and the development agent (RCVS) has taken on the role of co-ordinating the elements of the service. Referrals are made by way of the Social Work department through a single point of entry (RCVS).



10.3.3. Edinburgh Employment Consortium (Edinburgh) Service Design



10.4 Glossary

Social added value – The distinctive or specialist contribution made by carrying out activities. For example, social enterprises can add value to the delivery of public services in terms of their capacity to innovate or their closeness to the needs of their clients or the communities in which they operate.

Adequate Publicity – a degree of advertising of contracts which is sufficient to enable open competition and meet the requirements of the principles of equal treatment, non discrimination and transparency.

Attribution – In situations where more than one organisation plays a role in generating social added value this should be explicitly recognised. The value added has to be shared between participating agencies, and only the proportion of returns generated by the organisation under consideration should be taken into account in evaluating their contribution, i.e. recognise only the proportionate resulting gains.

Best Value – Best Value is a formal requirement for all local authorities. Best Value was introduced to ensure continuous improvement in the performance of public services. It encourages consideration of what services should be delivered according to local need, an options appraisal of the most appropriate way to deliver those services to meet the identified need, sound management of resources (economy, efficiency and effectiveness) while maintaining an appropriate balance between quality, cost, achieving equalities and sustainable development. Although specific guidance and a statutory framework for Best Value is provided by the Local Government in Scotland Act 2003 it is recognised that the principles of Best Value are applicable across the whole of the public sector.

Commissioning – Commissioning is the strategic function of identifying priorities and outcomes, assessing the needs of people in an area or the requirement for goods or services by a public agency, allocating resources and then designing and securing the appropriate goods or services.

Community and Voluntary Organisations – Often referred to as the voluntary sector this broad sector includes organisations for the public benefit, not-for-profit, managed by a voluntary committee or Board, independent of the statutory sector, non-profit-distributing, usually charities that deliver services, campaign or support volunteering and active citizenship.

Community Benefit Clauses – Clauses that can be included in the procurement process that allow social and environmental considerations to be included in the contract specification and used in the selection and award procedures. The European Union has clarified that community benefit clauses (or social and environmental clauses) can be included, provided that suppliers

who are not local are not disadvantaged or discriminated against and the contract complies with government procurement policy and Best Value.

To comply with the policy and legal framework the community benefit requirements must be part of the core purpose of the contract and must provide a benefit to the agency. Community benefit clauses should be supported by strategic documents such as Community Plans.

Co-planning – Co-planning sits at the heart of the Italian approach to PSP. The co-planning approach ensures that representatives from both sectors meet to discuss the shape of the proposed service from a very early stage. This enables the commissioner to draw upon a pool of cross-sector expertise and allows participants to share good practice in working with a particular client group, which is said to achieve more user-focused service designs.

Contract – A contract is the term used to describe a legally binding agreement between a purchaser and a supplier for the supply of goods, services or works.

Consortium/a – An association or combination of several organisations established for a specific purpose.

Full Cost Recovery (FCR) – FCR refers to an organisation recovering the full cost associated with providing a service or other output. It is a widely accepted accountancy principle. Full cost recovery is broadly interpreted to mean the total cost of all the resources used in supplying a service, including the direct costs of producing the output, a full proportional share of overhead costs and any selling and distribution expenses. Both cash costs and notional (non-cash) costs should be included, including depreciation, inflation and finance charges.

Impact – The term Impact refers to the benefits or changes (i.e. outcomes) that have come about as a result of the work or activity of a project or the organisation once the deadweight and attribution is taken into account. These include short-term, long-term, intended, unintended, positive and negative effects. Impact is less tangible and therefore harder to measure than inputs and outputs.

Inputs – Any resources invested in the activity, service or contract.

Options Appraisal – The term 'option appraisal' covers a range of decision-making techniques used to assess competing approaches. In the case of Best Value service reviews, the term refers to competing approaches with respect to the future management and delivery of local authority services.

Outsourcing – This is the term used within the public sector to describe the

arrangements for a service that is provided by another organisation. The service will continue to be funded and facilitated by the public sector but the delivery is made by an external service provider.

Outputs – Outputs are the direct and tangible products resulting from the activity, i.e., people trained, trees planted, services delivered and products sold. **Outcomes** – The benefits or changes that have come about as a result of the work or activity of a project or the organisation. These include short term, long term, intended, unintended, positive and negative effects.

Procurement – The whole process of acquiring from third parties covering goods, services and capital projects. The process spans the whole-life cycle from initial concept through to the end of the asset or the end of a services contract.

Public Procurement – These terms are used interchangeably to describe the broad range of commercial contracts that are offered by the public sector.

Public Social Partnership (PSP) – The shared responsibility for the delivery of public services by social economy organisations and the public sector is referred to as Public Social Partnership (PSP).

Service Level Agreement – Service Level Agreements (SLAs) originated within the public sector to specify the nature and quality of services provided between departments. This then expanded to include interagency arrangements and became the term used to describe a schedule that is an adjunct to commercial contracts with suppliers. The term has now gained common currency as describing new grant-funded delivery arrangements between the public and voluntary sector. The term Service Level Agreement is used here to describe a grant that is 'outcome related'. It is seen as a different arrangement to a commercial contract.

Social added value – Social added value describes the benefits a business or organisation provides in terms of its social and environmental impact.

Social Clauses – See Community Benefit Clauses

Social Enterprise – A social enterprise is an organisation that trades in the market for an explicit social purpose. Social enterprises are assumed to have three distinct characteristics: they have a clear social aim, they are socially owned (non-profit distributing) and they have an enterprise orientation where greater than 50% of their turnover is derived from sales or contracts.

Value for Money (VfM) – Value for money is defined as the optimum combination of whole-life cost and quality (or fitness for purpose) to meet the user's requirement.

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- Communities Scotland (Scottish Centre for Regeneration)
- Forth Sector
- Highlands and Islands Enterprise
- North Lanarkshire Council
- Scottish Council for Voluntary Organisations (Lead partner)
- Scottish Enterprise
- Scottish Government (Social Enterprise Team)
- Scottish Social Enterprise Coalition
- Social Firms Scotland
- Social Investment Scotland
- Volunteer Development Scotland

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10.7 Disclaimer

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