

Guidance:

# For Public Benefit: Engaging With Scotland's Enterprising Third Sector

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A Guide for Public Sector  
Service Managers, Commissioners,  
and Procurement Professionals

October 2012



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## Section 1

# Introduction

**This introductory guide is for people working in Scotland's public sector and who would benefit from a deeper understanding of the role and potential contribution of the Third Sector.**

### About this guide

This guide is intended as a simple introduction for those unfamiliar with Scotland's enterprising Third Sector, and to act as a useful reminder and update to those already engaging with the sector.

You might be a chief executive, head of service, operational manager, service commissioner, or procurement professional. Regardless of your role or rank, we believe that you should be fully aware of what the Third Sector can do for you. During these challenging economic times, public and Third Sector bodies are becoming increasingly interdependent. Public authorities hold significant influence over many areas of activity within which Scotland's Third Sector operates; in turn the delivery of essential public services is dependent on the contribution of the Third Sector.

The Scottish Government has made it clear that enterprising Third Sector organisations have an important role to play in the design and delivery of public services. This is particularly the case in relation to preventative areas of public spending. It is also commonly argued that the Third Sector brings a set of distinctive qualities to public service delivery and that the use of Third Sector providers in certain circumstances can transform services and lead to better outcomes.

This guide goes on to describe the characteristics of the Third Sector and explains how, together, you can work to deliver better outcomes. It does not offer a prescribed method of commissioning or buying from the Third Sector, nor does it call for any unfair advantage to the sector. Rather, it offers up some common sense measures that you can take to deepen your relationship with the sector.

## Section 2

# Scotland's Enterprising Third Sector

The Third Sector plays a growing role in the delivery of Scotland's public services and is a natural partner for the public sector.

Traditionally organisations have been divided on the basis of 'private' or 'public', and 'for-profit' or 'not-for-profit'. Those organisations that are established on a not-for-profit basis, and which are not part of the public sector, are typically referred to as being part of the Third Sector.

The scale of the Third Sector in Scotland is significant, as the facts and figures in the box opposite indicate. It includes some 45,000 organisations that collectively generate a turnover of £4.4bn and provide employment for 137,000 people.

The Third Sector is also very diverse. Third Sector organisations operate across the length and breadth of Scotland and take a variety of forms.

The range of services that enterprising Third Sector organisations provide is very wide (often unexpectedly so). These include services on behalf of public bodies and direct to communities. While the following list is not exhaustive, it does

### Scotland's Third Sector: The Facts

- There are 45,000 voluntary organisations in Scotland, half of which are registered charities
- The sector employs 137,000 people
- In 2010 the sector generated £4.4 billion for the Scottish economy
- In 2009 the sector were custodians of £9.2 billion worth of assets
- Public sector contracts and grants make up around 42% of the sector's income, although three-in-five organisations receive no income from the public sector.

#### Source:

SCVO, Scottish Third Sector Key Statistics, 2011

serve to give a flavour of the breadth of activity.

Enterprising Third Sector organisations share a 'public service ethos', which makes them natural partners to the public sector.

The Third Sector counts among its numbers organisations that are already successfully competing in the public service markets and others that are still finding their place in it. While not

all Third Sector organisations have the potential to offer services to the public sector many already do, and these could well be capable of delivering the quality and type of service you require.

### Examples of enterprising third sector activity

- Advisory services
- Catering
- Cleaning
- Childcare
- Consultancy
- Environmental services
- Grounds services
- Healthcare services
- Housing services
- Insulation work
- Outdoor activities
- Property maintenance
- Research
- Social care services
- Training
- Transportation
- Waste and recycling
- Web design

In this context, the enterprising Third Sector organisations that public authorities are most concerned with tend to include:

- Enterprising voluntary organisations with charitable status that have a focus on service delivery or a role in speaking up for local people.
- Organisations that operate as Social Enterprises and have the potential to run public services on behalf of public authorities.

There is continuing policy support for Social Enterprises; a collective term used to describe the 3,000 or more social-purpose businesses that are active across Scotland. These organisations use business methods to tackle social problems, improve people's life chances, and protect the environment.

Rather confusingly, Social Enterprises can take many different legal forms (such as Community Interest Companies) and various business models (such as Social Firms). However, all social enterprises act in the interests of Scotland's communities and their work is consistent with a basic set of guiding principles.

#### What are social enterprises

- They have social and/or environmental objectives.
- They are trading businesses aspiring to financial independence.
- They have an 'asset lock' on both trading surplus and residual assets.
- They cannot be the subsidiary of a public sector body.
- They are driven by values – both in their mission and business practices.

**Source:**  
Senscot, The Five Criteria, 2012

## Section 3

# On the Policy Agenda

**An enterprising Third Sector is central to the ambitions of the Scottish Government and has been steadily rising up the public policy agenda during the last decade.**

Scotland's public sector will continue to operate in a challenging financial environment for many years to come. Against this challenging backdrop it is essential that maximum value is secured from every pound of public money spent.

This being the case, public bodies are being encouraged to buy more sustainably, to maximise the social value they obtain through purchasing, and in doing so to deepen their engagement with Scotland's Third Sector.

In order to achieve best value, public bodies must ensure that the services they deliver meet people's needs and are delivered by the most efficient and effective means possible. This has contributed to a more varied pattern of public service delivery across Scotland and a growing role for Third Sector providers.

The Scottish Government wants to ensure an optimum role for the Third Sector in public service delivery. In particular, an enterprising Third Sector is regarded as a vital source of economic growth, a key support for our most vulnerable communities, and a critical part of the reform of public services. The Scottish Government's Enterprising Third Sector Action

**"The Scottish Government is determined to help third sector bodies become more competitive, win contracts across public sector markets and become more sustainable and successful."**

**Cabinet Secretary for Finance and Sustainable Growth, John Swinney,** speaking at the launch of the Developing Markets for Third Sector Providers Programme, January 2012

Plan 2008-11<sup>1</sup>, has helped to create the conditions in which an enterprising Third Sector can thrive. The approach that emerged from this is twofold:

- Investing in those enterprising organisations within the Third Sector that have the right business skills to deliver high quality services to those in need, while reducing organisational dependence on grants. This has given rise to the national programme of business support for the sector and to a portfolio of funding mechanisms.
- Unlocking market opportunities for ambitious and 'business ready' third sector organisations, especially those key markets in the public sector. This has

given rise to the promotion of mechanisms such as Public Social Partnerships in public service commissioning and Community Benefits Clauses in public procurement.

The detailed mechanisms and sources of support that are now in place to support this are outlined later in this guide.

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[www.scotland.gov.uk/Publications/2008/06/19085003/0](http://www.scotland.gov.uk/Publications/2008/06/19085003/0)



**"The third sector has a key role to play in delivering the Christie Commission's recommendations on place, collaborative spend in localities and preventative spend. We will be working across Government and the public sector to ensure that the third sector's role can be maximised, supporting greater collaboration between the public and the third sectors both at the local and national levels."**

Scottish Government, Scottish Spending Review 2011 and Draft Budget 2012-13, September 2011

The most tangible sign of growing support for the enterprising Third Sector is in financial terms. The Scottish Government has committed a further £73.5 million to the development of an Enterprising Third Sector over the next 3 years (2012-13 to 2014-15). This sits alongside £500m of preventative spending (being administered through a series of Change Funds) which the Third Sector is instrumental in delivering.

Indeed at a national level, the Third Sector is now a central contributor in most policy fields, from social care, to energy, to criminal justice. This contribution is set to grow over coming years.

At a local level the relationship between local government and the Third Sector is extremely important given the role of the sector in Community Planning Partnerships and developing Single Outcome Agreements. The 'Joint Statement on the Relationship at Local Level Between Government and the Third Sector' outlines the key principles which inform this

relationship<sup>2</sup>. This seeks to ensure that the Third Sector as an equal partner, with shared goals and responsibilities.

**"Local authorities and the Scottish Government will value the third sector as an integral part of shaping and delivering better services for Scotland's people and will be flexible in their approach to partnership and funding so as to recognise their role in the sustainability of the sector alongside the delivery of public service."**

Scottish Government and COSLA, Joint Statement on the Relationship at Local level between Government and the Third Sector

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[www.scotland.gov.uk/Resource/Doc/1036/0087048.pdf](http://www.scotland.gov.uk/Resource/Doc/1036/0087048.pdf)

## Section 4

# Added Value of the Third Sector

The Third Sector has several roles to play in relation to public services, and can add value in a many respects.

Enterprising Third Sector organisations have been delivering and supporting the delivery of public services for many years. While the diversity of the sector makes it difficult to generalise, experience tells us that the sector has often much to offer to public sector partners.

### Providing a voice to service users

The best public services are those that are designed around the needs of service users and that remain responsive to their aspirations.

The Third Sector has a particular role to play in helping bring service users closer to public services. Enterprising Third Sector organisations can use the independence and the trust they have within local communities to help identify gaps in service provision, feeding in local perspectives on service re-design or re-provision, as well as helping to generate innovative solutions to frontline service delivery.

### Enabling competition and choice

As part of a 'mixed economy' of provision, Third Sector providers can play an important role in delivering public services.

Sitting alongside public and private sector providers, enterprising Third Sector organisations can improve competition and generate a greater range of options for service delivery. This increased market choice in itself can help public service commissioners and buyers ensure that they get the optimum combination of cost and quality to meet requirements.

### Providing flexible capacity

Rigid or fixed models of public service delivery are now becoming outdated, with a drive to ensure better service outcomes regardless of the mode of delivery.

Sitting outside of traditional structures, enterprising Third Sector providers bring a greater agility than is sometimes available in a public sector setting. This can offer a more entrepreneurial approach, additional and more flexible capacity (often combining paid staff with volunteers), and the ability to work more creatively across conventional service boundaries.

### Bringing service improvements

A combination of financial constraint and rising demand is placing enormous strain on all

forms of public services. New and better ways to deliver services are essential.

Enterprising Third Sector organisations have been proven to deliver highly effective public services. They tend to bring a motivated workforce and give staff and service users a genuine say in how the organisation is run and how services are delivered. This combined with their ability forge good community links means that they are often able to find the best way to deliver services, are able to give the service user the best possible experience, and are able to meet the needs of 'hard-to-reach' groups that have traditionally proven difficult to serve.

### Enabling financial efficiencies

In a period of considerable pressure on budgets, public bodies are being required to cut costs and deliver more for less.

Working with Third Sector suppliers offers a way to deliver public services in a financially efficient way, under a different cost model. Enterprising Third Sector organisations can be financially competitive as their base costs are comparatively low, as they are able to make use of innovative financing models and access funds not available to the public sector, and as they

put any profits made back into the services they provide. This can often help to avoid the need to strip out cost, rationalise services, or compromise on the quality of delivery.

### **Focusing on prevention as well cure**

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There is a major shift underway across Scotland's public sector towards preventing social problems rather than merely responding to or managing them. The aim is to reduce dependency on, and by extension cost to, public services in later years.

The delivery of prevention or intervention programmes is not new to the Third Sector. These service providers have been innovating for many years in key areas of preventative public sector spending, such as older people's services, early years work, and action to reduce reoffending. Enterprising Third Sector organisations can bring helpful insights to service design, and low-level or preventative service models that have been proven to work and have the potential for scale or replication.

### **Delivering added community benefit**

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Public sector commissioners and procurement professionals are being asked to generate as much social and economic benefit as possible; making the most of reducing public sector purchasing power.

Enterprising Third Sector suppliers can potentially deliver to the same high standards of other providers, as well as bring

added benefits at no additional cost. Their work is strongly concentrated and rooted in Scotland's most deprived areas. In particular, they have been shown to excel in providing flexible and supported employment opportunities to those with least chance of finding work. Often they work to develop community ownership of public assets (e.g. community halls, post offices) in order to achieve long-term, and sustainable benefits locally. They also purchase ethically and tend to use local suppliers where possible, with any profits remaining in local communities.

## Section 5

# Current Views and Practice

There is now openness amongst public sector staff to work with the Third Sector, and recognition of the added value that the sector can bring. Yet this does not always translate into consistent and meaningful engagement with the sector.

Our recent survey of public sector commissioners and procurement professionals<sup>3</sup> suggests that there is much to build on, but more to be done.

### Awareness

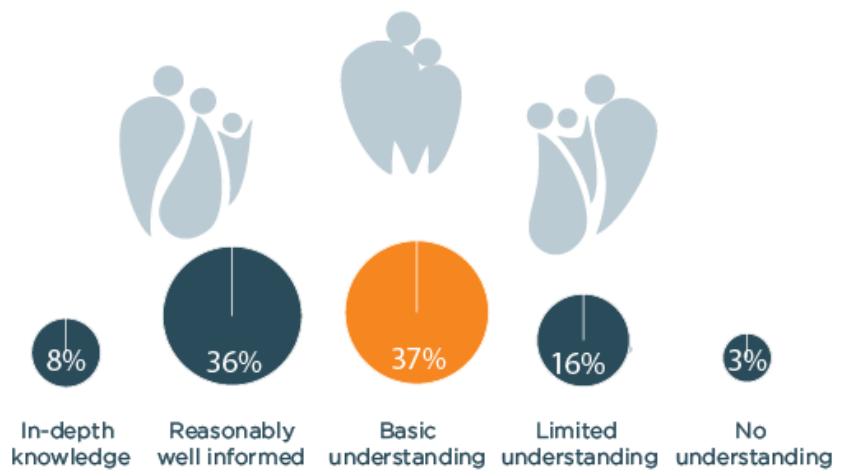
Often the public sector is criticised for lacking awareness, understanding, or sensitivity in relation to the Third Sector. However, this is not this generally the case.

Our research into public sector attitudes and practices shows:

- 91% believe that having an understanding of the Third Sector is relevant to their day-to-day responsibilities.
- 81% claim to hold at least a 'basic understanding' of the Third Sector.
- 59% have at some point let a contract directly to a Third Sector organisation.

However, there is clearly some room for improvement. There are opportunities to improve knowledge of the rationale for Third Sector involvement in

Figure 5.1 Understanding of the Third Sector in relation to public contracts



Source: Social Value Lab, Commissioning and Procurement Survey 2012

public service delivery and to deepen direct experience of working with the sector.

### Perspectives

The prevailing view among public sector commissioners and buyers towards the Third Sector is a positive one. They generally value the sector and its contribution.

Our research into public sector attitudes and practices shows:

- 46% believe that the Third Sector offers something unique in relation to the goods and services that the public sector buys.

- There is widespread agreement that engagement with the Third Sector can help the public sector to gain a better understanding of local needs and that it makes it easier to commission high quality services.

Public sector commissioners and buyers do not always distinguish, however, between the unique contribution of different sectors, types and sizes of suppliers. Sometimes clarity is therefore required on the unique contribution of the Third Sector.

<sup>3</sup> Ready for Business, Embedding Social Value Through Sustainable Procurement: A Survey of Public Sector Commissioners and Procurement Professionals, 2012

**Practice**

Despite some positive views, public authorities do not always engage strategically or well with the Third Sector in public service commissioning.

Our research into public sector attitudes and practices shows:

- In only 28% of cases respondents were confident that their public authority has a strategic approach to contracting with the Third Sector.
- Only 14% of respondents reported that their organisation had carried out any form of 'mapping exercise' of potential Third Sector providers.
- Less than one-in-five respondents pointed to full engagement with the Third Sector at any point in the typical commissioning cycle.

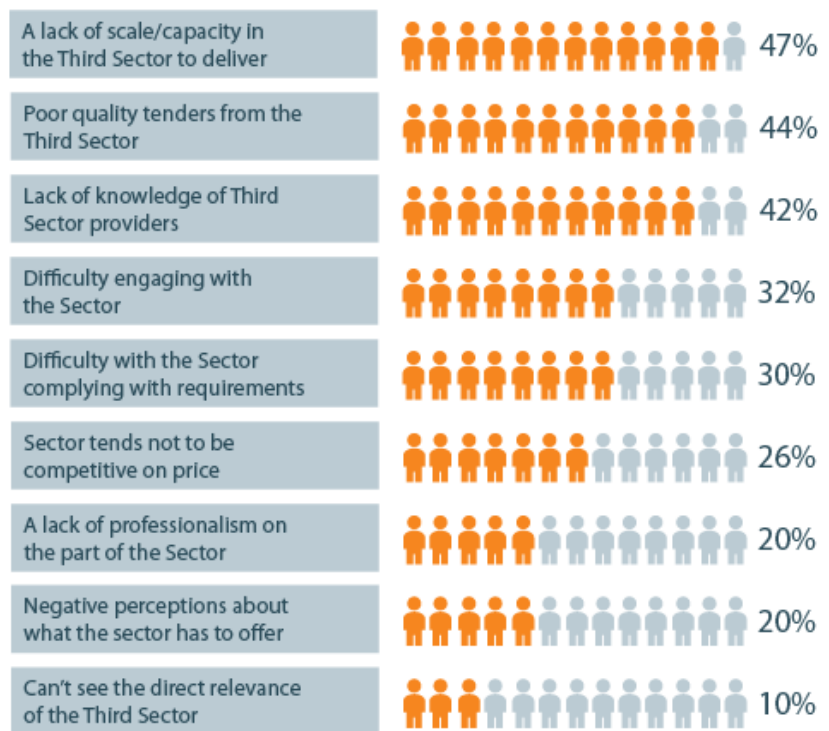
Mechanisms for strategic engagement and the active involvement of the Third Sector from the earliest stages of the commissioning cycle are important pre-requisites for successful public services.

**Barriers**

While in principle there is a willingness to involve the Third Sector in service design and delivery, in practice significant barriers to involvement remain.

Among the main barriers identified in our research is the perceived lack of scale and capacity of the Third Sector and the perceived poor quality of tenders. Also on the part of the public sector, the lack of

Figure 5.2 Barriers to tendering with the Third Sector



Source: Social Value Lab, Commissioning and Procurement Survey 2012

knowledge of Third sector suppliers and the difficulties evident in engaging with them.

These barriers are not insurmountable.

There is particular scope to challenge misunderstandings and misrepresentations about what the Third Sector is and what it can offer.

**Action**

The situation can clearly be improved.

The research shows that most public sector commissioners and procurement professionals (78%

of them) believe that practice can be improved to engage more positively with the Third Sector.

Commonly suggested improvements include the development of mechanisms to foster further cross-sector dialogue, relationships and collaboration, and better information and evidence on the Third Sector to underpin this.

In response, the following section sets out a number of ways that public authorities can initiate positive changes in their relationship with the Third Sector.

## Section 6

# Working with the Third Sector

Your organisation will already be working with the Third Sector in some way; in its role as provider, enabler, commissioner or buyer. There is always more that you can do though.

Here we offer **ten** tried and tested ways that your public authority can build a more productive working relationship with the Third Sector, and enjoy the full benefits of doing so.

### 1. Ensure open communication

Effective engagement with the Third Sector requires good communication. Fortunately many channels of communication already exist that you can work through.

There are a number of national bodies that exist to provide a voice for enterprising Third Sector organisations. If your public authority works at a national level, then Social Enterprise Scotland ([www.socialenterprisescotland.org.uk](http://www.socialenterprisescotland.org.uk)) can provide a useful introduction to a range of communication channels, representation, and support.

If you operate more locally, then Third Sector Interfaces are a useful first point of contact. These local authority level structures were set up to provide a single point of access to support and advice for the Third Sector, and to formally connect with local public sector partners through Community Planning Partnership (CPP) arrangements. Contact details for your local Interface can be obtained from Voluntary Action

Scotland ([www.voluntaryactionscotland.org.uk/Find\\_an\\_interface.asp](http://www.voluntaryactionscotland.org.uk/Find_an_interface.asp)).

It is important that communication with the Third Sector is handled in a co-ordinated way. Often action is required to join-up the many ways that your public authority may already be talking to the Third Sector. There may also be ways to ensure better Third Sector representation within existing public sector strategic planning and decision-making forums.

### 2. Build a shared agenda

The Third Sector is now an important strategic partner for the public sector at all levels. However, the quality of partnership working varies across the country and is often dependent upon personality rather than process or culture.

Where possible, find ways to strengthen the relationships that underpin effective engagement with the Third Sector and agree actions to improve partnership working.

Consider getting involved in the Partners for Change (PFC) programme. This brings together senior staff in public and Third Sector bodies to build trust and mutual understanding, develop a shared agenda, and strengthen collaboration and working

practices. It can result in joint strategies to promote social enterprise, plans to improve commissioning practice, or action to improve cross-sector partnerships. The PFC programme is currently being delivered on a pilot basis by Social Value Lab ([www.socialvaluelab.org.uk](http://www.socialvaluelab.org.uk)) with participation free to Scotland's public sector.

In particular, each public authority should have a comprehensive strategy in place that outlines how it engages with and supports the growth of social enterprises. There are many good examples of social enterprise strategies and plans available, including the Glasgow Social Enterprise Strategy (see <http://ceis.org.uk/wp-content/uploads/2011/09/Glasgow-Social-Enterprise-Strategy.pdf>).

### 3. Develop the supplier market

Public service commissioners and buyers are in a position of significant influence. There are a number of ways that provision from enterprising Third Sector suppliers can be encouraged and nurtured.

It is often helpful to start off by taking stock of the current position. You should be able to source internal information about what your agency is



already purchasing from the sector. You can also find out more about the number, size and capabilities of Third Sector suppliers in the market (local directories of Third Sector providers are often readily available).

You should get to know your Third Sector and begin to build confidence in the suppliers that are available to you. It is often helpful to arrange regular 'Meet the Buyer/Commissioner' events and where possible make the link with appropriate provider forums.

Where contract opportunities come up, you can take steps to ensure that Enterprising Third Sector suppliers are aware of them. Early information and open advertising are essential, as is a procurement timetable that is long enough to encourage bids from smaller Third Sector providers, partnerships and consortia. You can tap into a ready-made register of 'business ready' social enterprises at [www.readyforbusiness.org](http://www.readyforbusiness.org). You should also ensure that your key suppliers publicise sub-contract opportunities widely.

There are many ways to build the capacity of prospective Third Sector suppliers. This includes the delivery of training to help understand and bid for public contracts. Often local initiatives will already be in place to support this, and training and support is currently available through the national Just Enterprise programme ([www.justenterprise.org](http://www.justenterprise.org)).

#### 4. Co-produce services

The best services are those that are designed with and for the people that use them, and with assistance from independent providers that are knowledgeable and experienced in the field. Public authorities should therefore strive to establish a commissioning environment that is open to ongoing collaboration with the Third Sector.

It is essential that you listen to and draw on the expertise of appropriate Third Sector organisations at the earliest possible point of the commissioning cycle. You might want to consider ways that the Third Sector, using the independence and trust that it commands, can carry out consultation and needs assessment on your behalf.

Public authorities in Scotland are also being encouraged to consider the use of Public Social Partnerships (PSPs); a model of strategic commissioning that is strongly based on the principles of co-production. PSPs can involve co-planning and piloting the design of services in order to inform the future specification and procurement of these services. In this form, they usually involve participation from a lead public authority together with a consortium of Third Sector providers as full and equal partners. The purpose of a PSP is to co-design and deliver innovative, high quality public services that meet the needs of individuals and local communities. Further information on PSPs is available at [www.scotland.gov.uk/Resource/Doc/48453/0119024.pdf](http://www.scotland.gov.uk/Resource/Doc/48453/0119024.pdf) and

practical advice is currently available from Scottish Government's Developing Markets for Third Sector Providers programme (see [www.readyforbusiness.org](http://www.readyforbusiness.org)).

#### 5. Use 'social clauses' in contracts

Public authorities are being asked to purchase more sustainably and deliver ever greater value for money. This means identifying how public contracts can create additional economic, social and environmental benefits without adding to costs.

Social considerations (or community benefits) can be taken into account in a number of ways, including through specific contractual clauses and inviting bidder proposals to maximise benefit to the community in performing the contract.

Community Benefits in Procurement Clauses are now being adopted widely across Scotland's public sector. These contractual clauses provide a method of including social and economic considerations in contracts that do not conventionally have these requirements as defined or measured outcomes. They are lawful tools to include in public procurement contracts, with EU procurement rules providing an express legal basis for their inclusion. Further information can be obtained at [www.scotland.gov.uk/Publications/2008/02/13140629/0](http://www.scotland.gov.uk/Publications/2008/02/13140629/0).

You should consider ways that you can use Community Benefit Clauses to encourage the use

and development of Third Sector suppliers. By integrating social considerations as core to your specification you can open the door to increased involvement of the Third Sector, who may be well placed to deliver against your requirements. Where contracts are of such a scale that they are unlikely to be bid for directly by the Third Sector then contractors can be asked to consider what steps they propose to take to facilitate opportunities for the sector.

When using social considerations/community benefits in procurement it is essential that their use is set out in the contract notice/contract documents at the outset. They must also be relevant to the subject matter of the contract, proportionate and not capable of discriminating between potential suppliers. Where being assessed there must be a mechanism allowing for objective assessment and tender evaluation panels should have the necessary skills to judge compliance with community benefit requirements.

Further free advice and support on the effective use of Community Benefit Clauses is available from Ready for Business Procurement LLP ([www.readyforbusiness.org](http://www.readyforbusiness.org)).

## 6. Reserve contracts for supported businesses

EU procurement directives can often be seen as a barrier to taking action, but as set out above in relation to social considerations, they can also play an enabling role.

Article 19 of the EU public procurement directive allows public sector bodies to reserve contracts for 'supported businesses'<sup>4</sup>. This is enacted in Scotland by Regulation 7 of the Public Contracts (Scotland) Regulations 2012. This means restricting the tendering process for goods or services to supported businesses only.

The Scottish Government's policy is that every public body should be looking to reserve at least one contract for supported businesses, stipulating and looking to facilitate their inclusion as sub-contractors, or as collaborative partners in larger contracts. In this way, public bodies can fulfil their social objectives in helping more disabled people into work. For further information see: <http://www.scotland.gov.uk/Resource/Doc/116601/0101803.pdf>

A reserved framework under Article 19 (Regulation 7) is being put in place for the Scottish public sector, enabling the use of reserved contracts more readily without having to resort to full tendering exercises.

## 7. Contract considerately

Public sector systems are often built around the management of risk, and sometimes EU procurement rules (or the full detail of particular processes) are followed even where this is unnecessary (for example in low

value contracts). This is often to the disadvantage of the Third Sector. However, there are a variety of steps that you can take to ensure a straightforward and level playing field for Third Sector suppliers.

You may wish to consider the impact on the Third Sector at the pre-procurement phase. Think about whether there is scope to follow a simplified process that is less demanding on those taking part. Think about the appropriate scale of contracts and the possibility of breaking your requirements into Lots (geographically or otherwise) to ensure a diversity of supply. Think about the implications of a framework procurement, which can be effective at driving value and capturing economies of scale, but can also freeze out suppliers and damage competition and prospects for the Third Sector (particularly if a very limited number of organisations are appointed). Also, give consideration to the optimum length of contract, to ensure stability and continuation of service.

As part of supplier selection you should ensure a consistent, open and fair process for pre-qualification processes and/or getting onto 'approved provider' lists. Pre-qualification criteria should be proportionate to the value, nature, and level of risk involved in the contract; this will help ensure that newer or small suppliers are not unnecessarily disadvantaged. Opportunities may also exist for sub-contracting and consortia involvement of Third Sector providers.

Show flexibility where possible in relation to small, below threshold requirements. Consider using, for

<sup>4</sup> Supported businesses, including Social Firms, are organisations where more than 50% of the workers are disabled persons who by reason of the nature or severity of their disability are unable to take up work in the open labour market.



example, Quick Quote procedures.

Ensure that contract terms, conditions and reporting requirements are proportionate to the scale and complexity of the contract. Allocate risk to the body best placed to deal with it. Payment scheduling should be handled in a way that does not cause undue cash flow issues for Third Sector suppliers, and the transaction costs in administering contracts should be kept to a minimum.

## 8. Set up a social enterprise

The current pressures facing public authorities make it difficult to maintain public services and deliver desired outcomes. Often it reaches a point where creative thinking and alternative service delivery models are required.

Good public authorities are asking themselves: 'Is there a need for this service?'; 'If so, how should it be delivered and by whom?'; and 'Is there a way to deliver the same outcomes on a self-sustaining basis over time?'. If so, you may wish to consider establishing social enterprises where there are opportunities both to solve service challenges and to generate income from doing so.

Social enterprise can provide a compelling alternative. This does not necessarily involve processes to transfer public services into independent social enterprises, although this has successfully happened in the past.

Various models of partnership and replication can be used to

establish social enterprises. This can, for example, take the form of contributing access to an underused public resource or asset together with some upfront investment where available (on an 'invest to save' basis). In return it might mean the contribution from a Third Sector partner of the market knowledge, business expertise, and access to the external financial resources needed to establish a social enterprise. There are numerous combinations of financial input, service design, and shared outcomes that are possible.

Depending on what is proposed, there may be a number of considerations, including under procurement, state aid and local government legislation (for example in relation to best value or specifically in relation to proposed land or asset transfers). There are, however, an ever-increasing number of very positive examples of social enterprise creations and partnerships in and with the public sector.

Further advice on the role of social enterprise in providing public service solutions is available from Community Enterprise in Scotland ([www.ceis.org.uk](http://www.ceis.org.uk)).

## 9. Transfer community assets

The financial pressures facing public authorities mean that they must maximise the use of publicly-owned land and buildings, or dispose of them together with associated costs.

Where appropriate, you should consider the use of community

asset transfer mechanisms. This involves transferring the ownership of publicly owned land or buildings to a Third Sector organisation at less than full market value in order to deliver on local social, economic and environmental objectives. This can help to transform liabilities into sustainable community assets and unlock local social enterprise activity.

When undertaking comprehensive asset reviews or when developing new asset management strategies then you should consider all options, including ownership by local communities through enterprising Third Sector organisations. Often the development of a formal strategy or policy relating to the disposal or transfer of surplus assets to the sector can be a helpful step forward.

Make sure that you remain alert to opportunities as they arise for local organisations to acquire, develop and manage land or buildings currently owned by your authority. In some cases it can make sense to consider the transfer of multiple assets, either service-led (e.g. all public libraries) or placed-based (e.g. all publicly owned buildings in a town).

Usually some external support is required to ensure that assets are transferred into safe hands. In this respect you might consider the free support to local authorities that is currently available from the Community Ownership Support Service (see [www.dtascot.org.uk/content/asset-transfer](http://www.dtascot.org.uk/content/asset-transfer)).

## 10. Measure the social value

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In an era of outcomes-based accountability, all public bodies must demonstrate their contribution to local and national outcomes (set out in the National Performance Framework). However, often the outcomes that the Third Sector is delivering on your behalf can go unmeasured, unrecognised and unrewarded.

Start by establishing a clear Theory of Change to help everyone understand how your investment in a service or programme will lead to change. Set out clearly the outcomes that you expect the Third Sector to deliver, including clear and measurable indicators (outcome-focused as well as output indicators) together with an agreed framework for gathering this. Ensure that there is scope to capture positive as well as negative outcomes, and expected as well as unexpected ones.

Consider ways to apply the principles of Social Return on Investment (SROI), a Government supported framework. This provides a useful approach for measuring and accounting for 'social value'. SROI enables you to tell the story of how change is being created by measuring social, environmental and economic outcomes, and uses monetary values to represent their importance.

The framework that you choose to adopt and the reporting requirements you place of Third Sector providers should be proportionate to the scale and complexity of the service being

delivered and to your financial commitment to it. There are many ways to help manage the complexity of social impact measurement, from reducing the scope of your analysis, to making use of a common indicators framework, to using online tools to support the process (e.g. Outcomes Star, Value Game, Social E-valuator, etc.).

Outcomes planning and social impact measurement support is available to Scotland's public sector by Social Value Lab ([www.socialvaluelab.org.uk](http://www.socialvaluelab.org.uk)) through the Scottish Government's Developing Markets for Third Sector Providers programme.

## Section 7

# Further Support

Your public authority is not alone. Various forms of free advice, support and information is now readily available to help you in your work with enterprising Third Sector organisations.

The following summarises some useful starting points, although is not intended to provide an exhaustive list.

### National representation and support

Scotland is well served by a range of bodies that represent and provide support for an enterprising Third Sector. Many of these bodies also work closely with Scotland's public sector. Some of the key agencies to be aware of are:

- **Social Enterprise Scotland.** The national collective voice for social enterprises. SES raises the profile of social enterprise and champions the values and benefits of social enterprise to a broad range of stakeholders and decision-makers. It is an independent, Scottish, membership-led organisation. Membership is open to public authorities. For further information see [www.socialenterprisescotland.org.uk](http://www.socialenterprisescotland.org.uk)
- **Community Enterprise in Scotland (CEiS).** Scotland's main provider of business development support to enterprising Third Sector organisations. CEiS currently manages the Scottish Government's national Just Enterprise programme and is a key partner in its Developing Markets for Third Sector Providers programme. CEiS

### Ready for Business

Ready for Business Procurement LLP is an organisation established by CEiS, Senscot, and Social Firms Scotland. It helps Scotland's public sector to buy more sustainability, deepen its relationship with the Third Sector, and gain access to high quality, 'business ready' social enterprise suppliers. It currently manages a consortium that delivers the Scottish Government's Developing Markets for Third Sector Providers programme. It also manages a free-to-access register of social enterprises suppliers ready to deliver public contracts.

For further information see:  
[www.readyforbusiness.org](http://www.readyforbusiness.org)

can provide brokerage, facilitation and technical support to public sector bodies with an interest in social enterprise. See [www.ceis.org.uk](http://www.ceis.org.uk).

- **Senscot.** A national network that connects and supports social entrepreneurs and has incubated and spun out a number of new support services, including Scotland UnLtd, DTA Scotland, the Social Enterprise Academy and First Port. Senscot is currently promoting opportunities for engagement between public authorities and the Third Sector and is supporting geographic and thematic Social Enterprise Networks throughout Scotland. For further information see [www.senscot.net](http://www.senscot.net).
- **Social Firms Scotland.** The national support body for the development and promotion of Social Firms in Scotland. SFS provides particular expertise to the public sector in the externalisation of social care or employment-focused public services and their transformation to Social Firms. It also offers particular insights into incorporating social issues in public procurement and the co-production of services in partnership with the Third Sector. See [www.socialfirms.org.uk](http://www.socialfirms.org.uk).
- **Social Value Lab.** An agency specialising in social enterprise strategy and research, outcomes planning and evaluation, and social impact measurement. Social Value Lab is currently providing free training and consultancy to Scotland's public sector relating to Social Value in Commissioning and Social Impact Measurement as part of

the Scottish Government's Developing Markets for Third Sector Providers programme. See [www.socialvaluehub.org.uk](http://www.socialvaluehub.org.uk).

- **Development Trusts Association Scotland (DTAS).** A representative body for community-led development trusts in Scotland. DTAS also manages the Community Ownership Support Service, which assists local authorities to build community asset transfer strategies and the internal knowledge and capacity to deliver on these. See [www.dtascot.org.uk/content/asset-transfer](http://www.dtascot.org.uk/content/asset-transfer).
- **Voluntary Action Scotland.** The national organisation for local third sector infrastructure. It is the membership body for Third Sector Interfaces, which provide a direct connection between the local Third Sector and Community Planning Partnership arrangements. See [www.voluntaryactionscotland.org.uk](http://www.voluntaryactionscotland.org.uk).
- **Scottish Community Alliance.** Brings together Scotland's leading community sector networks, with a view to promote the work of local people in their communities and to influence national policy development. It provides a strong body of knowledge and point of engagement for public sector partners. See [www.localpeopleleading.co.uk](http://www.localpeopleleading.co.uk).

## Key national support programmes

There are currently three main Scottish Government supported contracts/programmes to

support the development of an enterprising Third Sector:

1. **Public Markets:** The Developing Markets for Third Sector Providers programme supports Scotland's public sector to commission in a way that maximises 'social value', to purchase more efficiently and sustainably, and in doing so to get more from their relationship with the Third Sector. The programme is delivered by the Ready for Business consortium. See [www.readyforbusiness.org](http://www.readyforbusiness.org).
2. **Business Support:** The Just Enterprise programme offers specialist business development support aimed at 'developing capable, sustainable and enterprising third sector organisations'. Designed as a single point of access to business support for the sector, this sits alongside Business Gateway. Just Enterprise is managed by CEiS and includes all of the main social enterprise support bodies across the country. See [www.justenterprise.org](http://www.justenterprise.org).
3. **Development Finance:** The Enterprise Growth Fund provides direct funding to 'support the development of sustainable organisations from start up to established social enterprises'. The Enterprise Growth Fund and Social Entrepreneurs Fund are currently being reviewed by the Scottish Government.

## Making the connection locally

Each local authority area in Scotland now has a Third Sector Interface (TSI). These were established to provide a single point of access to support and advice that would:

- Represent and support voluntary organisations.
- Promote and support volunteering.
- Support and develop of social enterprise.

Most TSIs have evolved from pre-existing structures and all have a role to play in engaging with the public sector and making an effective connection between the Third Sector and local Community Planning Partnership structures. TSIs are supported by Voluntary Action Scotland and a full set of contact details for each can be found at [www.voluntaryactionscotland.org.uk/Find\\_an\\_interface.asp](http://www.voluntaryactionscotland.org.uk/Find_an_interface.asp).

You can also tap directly into a growing network of frontline social enterprises that are organised into 23 Social Enterprise Networks. Supported by Senscot, these provide opportunities for peer support, collective action and market development. A full list of geographic and thematic Networks can be found at [www.se-networks.net](http://www.se-networks.net).

If you want to connect directly into the goods and services offered by Scotland's Enterprising Third Sector you can make use of the Ready for Business Register. This holds details of more than 300 suppliers with the willingness and capacity to deliver public contracts. It also provides the

opportunity for you to post tender notices. Sign up to access the register at: [www.readyforbusiness.org](http://www.readyforbusiness.org)

## Key events

Each year there are a small number of high profile national events that provide an opportunity for Scotland's public sector to find out more about the work of the Third Sector and to tap into related networks. The key events include:

- **Social Enterprise Exchange:** The main UK social enterprise event bringing together over 1,000 delegates and 150 business exhibitors, providing a platform for the exchange of knowledge and best practice. The next Social Enterprise Exchange will be held in Glasgow on 21 March 2013.
- **The Gathering:** The Gathering is an event that brings together all parts of the voluntary sector. With 3,000+ visitors it is the largest event of its kind in the UK. The next Gathering will be held in Glasgow on 27 & 28 February 2013.
- **CEiS Annual Conference:** This major event brings together social enterprise leaders and supporters in Scotland to reflect on the impact of changes in the sector, to look forward to the future, and to network. The next CEiS Annual Conference will be held in September 2013.
- **Senscot Events:** Each year Senscot holds a series of national events that bring together social enterprises and public sector representatives in key fields such as Health, Sport

and Culture. For information on the latest cross-sector events and conferences visit [www.se-networks.net](http://www.se-networks.net).

The team at Ready for Business is also able to assist public sector bodies in Scotland to organise local engagement events that bring together public authorities and Third Sector partners. The focus here is on creating dialogue, information and action on strategic commissioning and sustainable procurement issues. Please visit [www.readyforbusiness.org](http://www.readyforbusiness.org) for further information on support and upcoming events.

## Keeping up-to-date

There are many ways to keep up-to-date with issues relevant to the work of enterprising Third Sector organisations in your area. The following free e-bulletins provide a useful starting point:

- **Senscot:** A weekly e-bulletin that provides an informative and influential voice on the development of social entrepreneurship and social enterprise in Scotland. You can subscribe to the e-bulletin at [www.senscot.net/bsubscribe.php](http://www.senscot.net/bsubscribe.php)
- **Social Enterprise Scotland:** A weekly e-bulletin to members that is particularly useful for the latest on policy, legislation, and events relevant to social enterprises in Scotland. You can take up membership of Social Enterprise Scotland at [www.socialenterprisescotland.org.uk/join/](http://www.socialenterprisescotland.org.uk/join/).
- **Third Force News:** Scotland's only dedicated news source for

charities and voluntary organisations in Scotland. You can subscribe to the twice weekly e-bulletin free-of-charge at [www.thirdforcenews.org.uk/subscribe/tfe/](http://www.thirdforcenews.org.uk/subscribe/tfe/).

- **Social Firms Scotland:** A regular bulletin providing up-to-date information on supported employment, social firms, and social purchasing. You can subscribe to the bulletin at: [www.socialfirms.org.uk/socialfirms/ebulletin.asp](http://www.socialfirms.org.uk/socialfirms/ebulletin.asp)
- **Ready for Business:** A regular bulletin outlining key news and events relating to sustainable public procurement and the role of the Third Sector in Scotland. You can sign up at [www.readyforbusiness.org](http://www.readyforbusiness.org).

Third Sector Interfaces also often produce regular newsletters and e-bulletins that providing local updates on matters relating to the Third Sector. You should contact your local Interface directly to sign up. Further details can be found at [www.voluntaryactionsotland.org.uk/Find\\_an\\_interface.asp](http://www.voluntaryactionsotland.org.uk/Find_an_interface.asp).





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



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