

## REPORT

# Access to Markets and Procurement – growing social enterprises?

Roundtable No. 3, 29th September 2022  
Questions and possible solutions  
Facilitated by Sarah Beaumont, BSSEC CIC

## 1] Introduction

This Roundtable was the third in a series of five which are being held over the next few months. The purpose is to support the WMCA and the broader social economy sector to discuss how together we can support the social economy to double in size from £3.5 billion turnover to £7 billion over the next ten years. This aim draws directly on the recommendations made by the WMCA's independent Social Economy Task Force and the subsequent consultancy work undertaken by an iSE-led consortium of social economy agencies which produced *Growing the Social Economy in the WM Area: A Framework for Action* and four associated business cases for the WMCA.<sup>1</sup>

The framework identifies the essential elements of an ecosystem required to grow the social economy detailing four programmes of activity to be supported by WMCA: social economy clusters; a dedicated investment fund; a social economy growth accelerator programme; and using other WMCA investment and spending programmes to maximise social economy opportunities.

The vision is that these programmes will work together, with some funding to make it happen, alongside people to develop the work; all underpinned by data collection, sector collaboration and a shared responsibility to grow the sector. This Roundtable however adds to the understanding of the ecosystem and considers how procurement and in particular public sector procurement can be an opportunity for social economy growth.

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<sup>1</sup> *Growing the Social Economy in the WM Area: A Framework for Action* and the four detailed business cases adopted by the WMCA Board can be downloaded from links in this post on the BSSEC blog: <https://bssec.org.uk/growing-the-social-economy-in-the-wmca-area/>.

## 2] Background and Context

Government has considered for many years that Voluntary, Community and Social Enterprise organisations [VCSE's] play a vital role in the delivery of public services. They recognise that generally VCSE's are trusted by communities and that they are knowledgeable about approaches to support the development of good public services.

Despite the added value provided by VCSE's they are underrepresented in the supply chain delivering public sector services.

A recent study by Perspective Economics found there to be an estimated 300,000 VCSE's active in the UK, of which an estimated number of between 9200 and 12,500 are engaged in government contracting each year [3%-5%]. The barriers to procurement for VCSE's are perceived to be:

- Understanding of the VCSE sector and definition
- Access to Supply chains
- Awareness of opportunities
- Contracts marked as suitable for VCSE's
- Contract design
- Promotion and marketing by VCSE sector as a solution
- Lack of data to understand/help the situation
- Cash flow
- Partnership and consortia working
- Capacity to bid, track record and essential criteria

Many thought that with the introduction of the [Public Services \(Social Value\) Act](#) in 2012 there would be a sea change enabling VCSE's to have increased access to procurement opportunities. Councils, along with the rest of the public sector, were encouraged to use procurement to achieve wider financial and non-financial outcomes, including improved wellbeing of individuals, communities and the environment by making 'social value' a decision making criteria when awarding contracts.

› *Social Value is defined through Public Services [Social Value] Act [2013] which requires all public sector organisations and their suppliers to look beyond the financial cost of a contract to consider how services they commission and procure can improve the economic, social, and environmental wellbeing of an area.*

Many in the Public Sector struggled to understand how to implement this new Social Value Act especially concerning the measurement and evaluation of social value created when letting a contract. Not all public sector organisations changed their approach to procurement despite training and support being available.

In June 2018 there were revisions made by central Government and they announced the Act would go further and explicitly evaluate social value when awarding most major contracts. Government Departments were asked to report on the social impact of their major

contracts. It was decided that social value would be evaluated based on qualitative responses bidders and not on volumes. This meant that larger suppliers were not able to win on scale alone. They were required to set out what they would deliver and how they would deliver it and then a minimum weighting was applied to social value created of 10%.

Ten years on, in 2022, there is a proposed new Social Value Act currently going through Parliament. In 2018 the [Social Value Model](#) was adopted and now has to be used for all procurement and as a result accountability for social value creation through Public Sector contracting will increase. The benefits from the proposed changes are as follows:

- Changes to the new Social Value Model could be a real opportunity for social enterprises to increase their income, influence and impact by seeking a bigger slice of central government's [£292bn annual spend](#) on goods and services. It could mean more influence and income opportunities with government, as well as creating and maintaining jobs for those furthest from the labour market.
- The UK [government describes social value](#) derived from procurement as “the positive legacy created through the performance of a contract”. There are three categories of social value:
  - Social (e.g., activities that promote a united community), environmental (e.g. efforts to assist the community in reducing waste or pollution).
  - Economic (e.g., training, employment or apprenticeship opportunities for disadvantaged groups).
- From 1st January 2021, central government has been required to go further than the [Public Services \(Social Value\) Act 2012](#). All major central government procurements must explicitly evaluate social value, where appropriate, rather than just “consider” it.
- The new model also connects social value to other relevant legislation, policies and initiatives. Examples include the Equalities Act, alignment with the Civil Society Strategy, references to ‘decent work’ initiatives and the mapping to the UN Sustainable Development Goals.

The private sector, and especially Corporates, really understand this agenda resulting in many of them giving careful consideration to social value creation not only in public sector delivery of products and services but in the everyday business. Many now produce their own social value reports.

SEUK's Buy Social Corporate Challenge has over 30 high profile companies buying from social enterprises. Their total spend last year was £91 million. There are also international changes regarding procurement and social value with the recognition that when spending public sector money additional social value creation can only benefit societies.

Many countries now have their own social value creation and monitoring legislation.

### **3] Roundtable Discussion**

Once again, we had great attendance for our discussions regarding the abilities and possibilities of the VCSE sector accessing between 2 to 10 per cent of contracts from the public sector. The group had varied experiences they brought to the discussion which included capacity building, social investment, data collection, public sector procurement and supply chain working. It seems incredible to report that the session was stimulating, interesting and full of ideas – you wouldn't believe we were speaking about procurement!

The key challenges were seen as lasting social value creation and capacity to monitor social value, the role of data in procurement, willingness to procure from VCSE's, sector capacity, access to contract opportunities and the role of umbrella organisations.

#### **3.1 Contributions by speakers**

##### ***a] A perspective from a regeneration commissioner in a local authority***

Having recently let a number of small contracts very suitable for VCSE organisations to bid for I have come across some real challenges in letting these contracts specifically with the technical aspects of the procurement within this Local Authority. The systems are set up to measure the validity of tenders for very large contracts, usually developers and this can create real challenges for smaller contractors. Time and length of the process seemed inappropriate for the value of the contract. The procurement officers really struggled with the level of risk when contracting with a small organisation.

In my Local authority, social value is measured at 20% and large organisations can easily provide this. The big challenge for both procurement and commissioning is the measurement and monitoring of social value creation. There are key questions: How do we assess the social value is good enough? How do we strengthen the social value created? What is the role of data? What would it take for a city to become an impact economy?

##### ***b] A network seeking to change members approaches to procurement to create local wealth through purchasing locally from VCSE's and SME's***

Through the Birmingham Anchor Network comprising of 7 public sector and housing association members we are seeking to change the members purchasing profile to enhance local wealth and encourage local expenditure to 'stick' to the City. We have identified that there are over £0.5 billion expenditure on contracts valued £5k - £25k or more across the network which if these were placed with local SME's and SE's would impact upon the local economy. It would also give those awarded contracts a way into the supply chain. Despite the low level of contract businesses can still be very bureaucratic in how they procure which can be challenging for those tendering.

The key obstacle is that procurement officers spend little or no time on low level contracts or that these contracts are let by departments with delegated responsibility. There can be little awareness of the names and details of suppliers resulting in little change in who is being contracted with. Who are the businesses? Who are the social enterprises?

### ***c] New emerging contracting opportunities across the WMCA region***

Within the Black Country there has been some analysis to identify the emerging new markets for VCSE's and these are:

- Retrofit of housing [environmental standards] – there will be large contracts let but there will be supply chain opportunities with the large companies who are likely to win these contracts.
- Towns Fund – refurbishing buildings on our High Streets. This is public money and contracts will be let with accredited organisations and local installers.
- Health and Social care – Universities are reporting that there are renewed interest in social enterprises and charities delivering social care services. Research is showing that smaller contracts are better in delivering high quality care to individuals which would make social economy organisations well placed to pick up contracts.

## **4] Conclusions from the broad discussion with participants**

Generally, there seem to be more questions around this topic and participants have highlighted many barriers for VCSE's to engage with procurement opportunities and win contracts.

**Social value creation** is the golden thread for the public sector, and it needs to be woven through all policies and strategies to support the development of impact economies. It is not just responsibility of procurement to implement social value legislation but something to be considered taking a whole organisation approach.

**Regulation and legislation** continue to create barriers for VCSE's winning contracts and joining supply chains. The ability of VCSE's to win contracts can often depend on how the opportunity is set out and how accessible it is. Working together with the sector might be a way forward? Language can also be a barrier.

**Continued lack of funding** for infrastructure organisations has resulted in very few capacity building opportunities for VCSE's. There can be a perceived lack of ambition by VCSE's to work at their commercial opportunities. Should we re-write the start up support programmes to include procurement readiness? Is there a need to run awareness raising events for VCSE's, bringing groups together across the region to present the opportunities and grow consortia who could work together to realise opportunities?

**Procuring from VCSE's** is still seen as risky and there is generally a lack of appetite for risk by procurement officers. The sector is poor at advertising itself and its successes in winning contracts.

Given the context of shrinking public sector finances, should we be considering reinvigorating the 'umbrella organisation' model where a lead organisation bids for contracts ensuring the contract value meets true costs and that resources are shared across the network depending on services delivered?

The VCSE sector needs support to invest in data collection approaches to be able to provide comprehensive evidence of contract delivery. Is there a role here for social investment?

## **5] What does all this mean for the West Midlands Combined Authority Region?**

There are many opportunities through the public sector for the VCSE sector including within the WMCA itself.

National Government and Local Authorities have made the biggest progress with this agenda: re-writing procurement documentation, setting targets, producing action plans to help them increase procurement with VCSE's and training their staff. We are also beginning to see procurement policies change in Universities, Housing Associations and the NHS.

The sector needs to become much more aware of the opportunities now available, sign up to contract promoting sites and network with commissioners. Its likely VCSE's will need to organise themselves into consortia to meet the varying contract requirements, especially geography. Marketing and promotion of the abilities of the VCSE sector to deliver high quality services continue to be important, as do capacity building for procurement and the need for rigorous data collection systems to be implemented.

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## Appendix 1:

### What support is there for VCSE's starting on the journey?

- Consult [VCSEs: A guide to working with government](#) on GOV.UK.
- Find out your local authority's commitment to social value procurement.
- Get familiar with measurement criteria for public sector procurement and align your impact measurement.
- Get familiar and sign up to [Contracts Finder](#), the [Public Procurement Review Service](#) and Consortia Bidding.
- Partner up with another social enterprise or corporate procuring with central or local government.
- Further learning and support for social entrepreneurs.
- School SE offer [short courses on public sector procurement](#).
- The Department for Digital, Culture, Media and Sport (DCMS) is [hosting a series of webinars](#) on the new Social Value model for charities and social enterprises interested in bidding for central government contracts. Participants will also find out more about how to find central government contract opportunities and how to raise concerns anonymously about potentially poor public sector procurement practice.
- Social Enterprise UK has been working to influence procurement and the Social Value Act for years. It's also host to the [Social Value Summit](#), an event that brings together social entrepreneurs and local government procurement. Buy Social – register yourself.
- This [Social Value UK blog](#) reviews the new Social Value Model. They are also providing free information webinars on the subject.
- The [Social Value Portal](#) is a social enterprise dedicated to building the capacity of both the public sector and business to implement the Social Value Act.
- [Supply Change | Creating Sustainable Supply Chains | For Business & Social Organisations.](#)