Social Enterprise contributing to public services during austerity

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The context

- Biggest spending cuts for 80 years
- Government commitment to a smaller state
- “Big Society”
- Localism
- More competition and pluralism in public services

Why social enterprise?

- Political commitment and increasing interest
- Public concerns about profit and public services
- Opportunity to reduce public sector headcount

Plurality of social enterprises

- Businesses that do not distribute profits
- Traditional charities
- User-led mutuals and enterprises
- Community enterprises
- Employee co-ops
  - born in public sector
    - MBOs
    - staff led and owned
  - spin outs from the commercial sector
  - or new entities

Social enterprise – essential requirements

- Entrepreneurial leadership
- Quality management
- Effective governance
- Good employee terms and engagement
- Working capital
  - and capital for infrastructure and equipment
- Realistic fees and contract terms
- Access to markets

What the public sector seeks

- Value for money
  - but risk of lowest price selection
- High quality outcomes
  - though price often dominates in period of austerity
- More personalisation
  - and direct individual budgets
- Transfer of as much risk as possible
- Innovation and creativity
- Reliable and sustainable providers

Challenges

- Unrealistic expectations of public sector clients
- Procurement becomes a race to the cheapest
- Insufficient available affordable capital
- Meeting contract terms
  - especially if payment base don long term outcomes
- Sustaining values and principles
- Maintaining decent work force standards
- Scalability
- Political PR not deep commitment

Opportunities

- Commissioning enterprises
- “Big Society” Bank
  - and other sources of investment capital
    - including banks and individuals
    - Social Impact Bonds

Opportunities

- Local government moves to “John Lewis councils”
- Public bodies wanting to move services out
- Community enterprises
- Commercial and social enterprise partnerships
- Trade union led enterprises

The future – some predictions

- More social enterprises
  - a spectrum of sizes and activities
  - some will succeed and some fail
- Spectrum of quality and effectiveness of public sector commissioning and procurement
- More direct market relationship with service users
- Greater investor interest
- Social enterprise is not new but it has bright future!

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