

## Politics of Social Innovation

### Mapping the extent and models of social enterprise in the National Offender Management Service

NOMS is a structure to manage prisons and probation services in England. In 2009 the Ministry of Justice obtained funding from the Office of the Third Sector (now Office for Civil Society) to undertake a mapping of the social enterprises that are already working to support offenders and ex-offenders. NOMS, working in partnership with the Social Enterprise Coalition commissioned this study.

The commission was put out to tender in May 2009 and the contract was awarded to Concilium Consulting CIC. Concilium is a social enterprise consultancy that consists of four existing businesses, specialists in social enterprise development.

#### The research aims, stated within the contract specification:

The research brief was to:

Evidence what and where social enterprise activity is taking place within the prison and probation services

The research was to:

- Develop learning points based on Best Value and Social Return on Investment models
- Quantify the scale and scope of social enterprise activity
- Identify any positive/negative aspects of involvement with the social enterprise sector for NOMS
- Identify structural barriers to entry for the social enterprise sector in each part of NOMS
- Identify gaps in provision, models of good practice and opportunities for replication

The research was carried out between May and August 2009 by Concilium<sup>1</sup>, using a mixed methods approach.

- Conducting semi- structured telephone interviews with prisons and probation services
- Conducting extended interviews with a smaller sample group of prisons and probation services
- Conducting an on line survey with social enterprises that are currently working with prisons or probation services or would like to do so

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<sup>1</sup> Reducing Reoffending Through Social Enterprise, Stevenson, N., Turnbull, G. and Hameenaho, S., Ministry of Justice, 2009

- Conducting semi-structured telephone interviews with a sample group of social enterprises working with prisons and probation services
- Undertaking desk research to produce a policy review on NOMS and social enterprise and the implications of introducing the Best Value process to the probation service, with regard to working with social enterprises

In undertaking this work, 100% of probation services and 72% of prisons were interviewed. Extended interviews were carried out within 38 prisons and probation services. 82 social enterprises completed the on line survey and 18 social enterprises were interviewed.

The main activities of the research were as follows:

**Desk research** to review OTS, Ministry of Justice, NOMS and other relevant policies, strategies and communication documents, to identify current support and encouragement for social enterprise in offender settings, structural barriers, engagement, commitment and any other issues relating to policy. This also drew examples from other public sector engagement with social enterprises.

**An online mapping survey** to identify social enterprises that are currently working with offenders and ex-offenders, and those organisations that are not currently working with offenders but would like to do so. This survey provided the opportunity to research a wide variety of organisations to see how social enterprises are or are not interacting with the prison and probation service and why. It also provided data on geographical location, funding streams, benefits and barriers and whether organisations were involved in formal offender services networks.

**Telephone interviews with prison and probation service contacts** to identify the extent to which key staff in prison and probation services were able to identify social enterprises with which they are working and the benefits or otherwise that the service derives. A database of prison and probation contacts was compiled. Interviewers attempted to contact all of the contacts, for as full coverage as possible.

The aim was to contact all identified prisons and probation services. In the event we undertook interviews with 100% of probation services and 72% of prisons. These interviews were conducted with an opportunity sample of 38 of the larger group aimed to gather further information on benefits, barriers to, and attitudes towards, social enterprise activity. The interviewers also asked about the benefits and drawbacks for the prison or probation service of being involved in a social enterprise working with offenders.

**Extended telephone interviews** to collect qualitative data. There were four categories of respondent:

- (1) *prison and probation service contacts currently working with social enterprises*

A number of simple questions were asked to gain data for the mapping exercise. This included questions on: number of referrals,

type of offenders or ex-offenders, type of arrangement with the service, a brief enumeration (if possible) and description of the type of activities and whether there has been any monitoring or evaluation conducted on the impact of this work with the offenders.

(2) *prison and probation service contacts that have not worked with social enterprises*

We did not identify any respondents in the first interviews that were not working with any social enterprises.

(3) *social enterprise contacts that have worked with prisons or probation services*

These interviews aimed to gather information on awareness of NOMS within the social enterprise sector. We identified social enterprises that completed the on line mapping survey, that were mentioned as service providers in the interviews with prisons and probation services and some were identified by SEC and NOMS as having experiences that would be beneficial to include in this survey. The interviewers conducted in depth, semi-structured interviews focusing on the perceived benefits and barriers to running an offender-related social enterprise and identify any policies or other factors which could improve interaction between these subject areas.

(4) *social enterprise contacts that have the potential to work with prisons or probation services*

Within the limited scope of this research it was decided that the focus should be on social enterprises with experience of working with prisons or probation services and in the event only one interview was conducted with a social enterprise in this category.

In all of these strands we attempted to identify possible example or demonstration models, leading to identifying areas for development or models for replication.

## **Terminology and definitions of social enterprise**

Social Enterprise is the umbrella term for ‘independent businesses that trade for a social purpose’.

Social enterprises are not defined by their legal form but by their activities and objectives. Irrespective of the legal form, a mixture of trading and social objectives is the key characteristic of social enterprises.

Within the social enterprise sector there has never been a precise, formal definition of what a social enterprise is. Most people are in agreement with the broad and general term defined by the Social Enterprise Unit (then at the DTI) in 2002

*“A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners”*

The Social Enterprise Coalition (now Social Enterprise UK) has identified three defining characteristics:

**Social aims** - they have explicit social aims such as job creation, training or the provision of local services. Their ethical values may include a commitment to building skills in local communities. Their profits are principally reinvested to achieve their social objectives.  
**Enterprise orientation** - they are directly involved in producing goods or providing services to a market.

Many social enterprises are also characterised by their **social ownership**. They are autonomous organisations whose governance and ownership structures are normally based on participation by stakeholder groups (e.g. employees, users, clients, local community groups and social investors) or by trustees or directors who control the enterprise on behalf of a wider group of stakeholders. They are accountable to their stakeholders and the wider community for their social, environmental and economic impact. Profits can be distributed as profit sharing to stakeholders or used for the benefit of the community.

The term social enterprise covers a spectrum of organisational types.

They range from co-operatives, which are generally commercial trading businesses, based on international principals of co-operation (democracy, employee ownership, etc) to small community based organisations that aim to provide services to disadvantaged groups often delivered by volunteers. However, they are all constituted, independent legal entities using legal structures that define these business practices. The most common are: Company Limited by Guarantee, Industrial and Provident Society, Community Interest Company.

Many social enterprises seek to achieve social ownership by enabling people in the communities they aim to support to become members of the business to which it becomes accountable. This often includes individuals in the target community becoming employed by the social enterprise or being elected to the board.

### **Definition of the Third Sector and changing role of the voluntary and community sector**

During recent years there has been a strong movement within the traditional voluntary sector to develop trading activities, as grant funding has become more difficult to obtain or has more strings attached. Many voluntary organisations have attempted to develop trading activities and some, particularly large national bodies, have become extremely successful. Some have chosen to re-define themselves as social enterprises and some have not. Third Sector was a term adopted by the Labour government as an umbrella term for voluntary and community organisations, social enterprises, co-operatives and mutuals. Since 2010, the Coalition government has ceased using the term and refers individually to the

different type of organisations. For the purposes of this paper, we have continued to use Third Sector as it is used in the report.

### **Definitions for the purposes of this research**

In terms of researching the social enterprise activity with the Prison and Probation Services, confusion between the wider third sector and social enterprise was problematic. The researchers were forced to address the task of defining which of the third sector agencies working with prisons and probation services are social enterprises and which are not. Two main processes were agreed with the contractors at the early stage of the commission:

- That an ‘inclusive’ definition of social enterprises would be used, incorporating voluntary organisations that trade and those social enterprises that earn more than 50% of their income from trading
- That the researchers would ask questions of respondents that would enable us to define whether or not these organisations were to be considered social enterprises for the purpose of this study. This would provide consistency for the purposes of analysis.

Nevertheless, there is a clear correlation between the level of engagement with the third sector and the propensity to be engaged with social enterprise. For example, approximately half of the relationships that both services have in place with external social enterprises evolved naturally out of work with the wider third sector.

### **Summary of social enterprise definition**

Social enterprises may therefore be seen to have the following characteristics:

- They are independently constituted businesses
- They are driven by a business agenda
- They aim to meet social as well as financial objectives
- They make profits (or surpluses) that are re-invested into the business to support its social purpose
- They are socially owned - accountable to a wider community through a membership and democratic structure

### **Use of the definition within the research**

At each stage of the research we did identify respondents that we did not consider to be social enterprises. These included:

- Respondents to the electronic questionnaire that were traditional profit distributing businesses - albeit with some social purpose, such as an organic farm
- Statutory agencies or QUANGOs named by prison or probation respondents
- Traditional voluntary organisations providing purely social support to prisons or probation services, funded by grants and often delivered by volunteers named by prison or probation respondents

When it came to selecting social enterprises to interview in depth, we undertook a more detailed checking, sometimes seeking information from their websites or from Companies House or the Charities Commission to check up their forms of governance.

One further complication that emerged during the interviews with prison and probation staff was that within the varying levels of understanding of these respondents, it became clear that even those who were relatively well informed only considered small, locally based organisations to be social enterprises. Some of the extremely large and relatively well known social enterprises working at national level were not seen to be social enterprises by the respondents to this survey.

### **Use of terminology in our report**

In the light of this complexity and the inherent difficulty of defining social enterprises, we were therefore very specific in our use of language throughout the report.

Where we quoted individual respondents we used the terminology they gave us, however, we did not assume that their definitions were contiguous with ours. Elsewhere, where we referred to 'social enterprises', these meet our definition as described above. Where we used the term 'third sector', this refers to totality of social enterprises and traditional voluntary sector organisations. Where we used the term 'voluntary organisation' or voluntary and community organisation, this refers to these organisations alone.

We also refer in the report to "Special Purpose Vehicles". For our purposes, these are enterprises that have been established by prison or probation staff in order to create opportunities for prisoners or probationers to gain work experience, deliver services to the prison or probation service and generate income for the prison/probation service either by earning income or accessing grant funding. In the main these organisations have been, or are in the process of becoming, established as separately constituted businesses with independent bank accounts. At the time of writing the report (August 2009) there were a number of unresolved issues relating to the status of these organisations, in particular those operating within prisons, which have only partially been resolved in the intervening period. In most of the cases we encountered however, the operation of the business is significantly influenced by prison staff in an operational capacity and as board members. We originally referred to these organisations as "internal social enterprises", but were asked to amend this by NOMS at the draft report stage. One of the key defining characteristics of social enterprises is that they are independent businesses, able to set their own goals and operate in pursuit of their own agendas. To what extent this is happening within these "Special Purpose Vehicles" is a subject we explored in the report. The term Special Purpose Vehicle is increasingly used by public sector agencies such as prisons and probation trusts as a form of partnership with

external bodies (including third sector organisations) that has an independent legal structure set up to share responsibilities and risks.

### **Policy agenda (delivery) v. public sector commissioning agenda**

The difference between a social enterprise and a wider Third Sector organisation was significant in this context to the researchers and at some level, in relation to successful delivery, to the NOMS. However, in terms of delivering a policy agenda and meeting performance targets, it makes little difference to the prison and probation service personnel.

There were two significant goals:

- The public sector contracting out services for delivery - by the Third Sector
- Reducing re-offending

In terms of contracting out public services, there is no distinctive target for social enterprises and no reason for NOMS to make a distinction between the umbrella term Third Sector and the specific model of social enterprise.

*“In a time of decreasing budgets and staff redundancies, it is the direct benefits that matter, not social goals. The world we live in is not so idealistic.”* (Probation Service respondent)

In terms of reducing re-offending, there is no bar on any provider, whether Third Sector, public sector or private sector delivering against these targets. Social Enterprises figure amongst the organisations delivering services to reduce re-offending but in practice they are not automatically perceived as offering greater benefits than other providers. According to the research however, there does appear to be a growing awareness within NOMS that social enterprises provide more opportunities for work experience and vocational training than other sectors. This relates to the underpinning assumption that having a job on completion of a sentence can significantly reduce re-offending. This research showed that the experience that prison and probation officers have of working with social enterprises is that they are a good source of employment opportunities for offenders and ex-offenders. There are many barriers to prevent ex-offenders from accessing employment and social enterprises often offer holistic solutions to overcoming different barriers.

### **Spending assumptions**

*“Our budget is declining but the budgets for our partners in Supporting People and the PCT/DAAT are increasing. By contributing to these arrangements we get a disproportionate service. We put a relatively small amount in but get a lot more out.”* (Probation Service respondent)

One significant finding from this research was the prevalence of the assumption that the work to reduce re-offending would be funded externally, not from within NOMS core budgets.

The Criminal Justice Group within NOMS has estimated that 50% of the resources to manage offenders and reduce re-offending lie outside the Criminal Justice System. The remainder of the resources will be sourced from other agencies through strategic and other partnership working.

The findings from this survey correlate with other evidence about difficulties that social enterprises have in providing contracted services to the public sector:

- It is difficult for people working in organisations to identify what work social enterprises are delivering if they are not commissioning it directly from their own budgets
- Project funding tends to be short term and unsustainable - it is difficult for social enterprises to manage business objectives against short term contracts
- There are clear policy objectives and many individuals are willing to work with social enterprises but it is not a priority for spending core budgets so people are mostly motivated to look elsewhere for funds
- It is often difficult to identify who is capturing monitoring and evaluation data to measure the effectiveness of this work - if it is funded by an external third party, the host organisation is frequently not seeking or receiving the evidence

### **The attractions of the internal model**

Within the research we identified the model of “internal social enterprises”, referred to as Special Purpose Vehicles in the report. We identified eight examples of this model and had contact with seven of them. Because of their hybrid status, four of them were interviewed as social enterprises, one was mentioned during an initial interview with a prison and another was discussed in an extended interview with a prison. We were referred to another example through an external evaluation and undertook a one-off interview with the person who had developed the social enterprise. Of the eight examples, three have either failed to become operational or failed soon after opening.

Twelve other respondents said that they were interested in developing these models but had not done so because they had no clear guidance how to go about it.

The main difficulties cited were:

- Not having clear guidance from NOMS as to what legal structure they could set up within the prison or probation service (cited by 58% of

respondents who were already developing social enterprises or thinking of doing so)

- Not having clear guidance about how to open an independent bank account for the social enterprise and how this would relate to treasury rules (being able to carry forward income earned from one financial year to the next)
- Cultural difficulties relating to having offenders and ex-offenders working for and being board members of the social enterprise

In addition to these stated problems, the analysis revealed that other underlying issues were:

- Prison and probation staff not having business experience
- Too much influence by prison and probation staff on social enterprise boards (including those acting as shadow directors and exposing themselves to personal liabilities for the business)
- Lack of evidence of market testing to ensure that the business is viable
- Some confusion as to whether this was a social enterprise and was going to trade, a voluntary organisation that would be seeking grants or a wholly owned trading wing of the prison/probation service
- Whether the motivation for setting up “internal social enterprises” was to fill identified gaps in service provision by spinning out social enterprises or to try and control the supply chain as a response to having contracting out targets
- Concerns about whether there will be open competition for contracts issued by the prison or probation services if they are also stakeholders in one of the businesses that is bidding
- It was not clear in most cases how links were being made with employment opportunities after individuals had completed their sentences
- Lack of evidence as to whether or not this model will work and if so, what are the critical success factors

It is not clear what the perceived benefits are of starting a new business from scratch, over contracting with an existing social enterprise with an established track record. Aside from these concerns, in order to be categorised as a social enterprise, an organisation must be fully independent of the public sector and able to make business decisions based on the needs of the market place.

It should be stated that the “internal social enterprise” that appears to be the most successful was developed by the organisation contracting with an existing social enterprise to help them start up the new business. Nevertheless it is too soon to assess whether or not these social enterprises will be successful as they are mostly at the very early stages of development and in most cases are not yet fully operational.

Other parts of the public sector, in particular the NHS, have also developed a strategic approach to working with social enterprises. This has particularly focused on the potential for externalisation the provider arms of Primary Care Trusts (PCTs) and incorporating them as free standing social enterprises or community foundation trusts.

In both local government and the NHS, barriers identified for actual transfers of services include culture change, level of entrepreneurial skills development, TUPE regulations and the protection of the terms and conditions of staff transferred from a public sector employer to an independent organisation.

The benefits of setting up an “internal social enterprise” that were identified by respondents included:

- Being able to employ prisoners
- Being able to access additional money
- Having autonomy from the prison/probation service
- Being able to generate profits that could fund other prison/probation services
- Being prisoner/probationer led

An analysis of the seven “internal social enterprises” that we contacted in the course of our research enabled us to identify a list of the main problems that they reported as having encountered - either in interviews with our researchers or our researchers having been referred to evaluation materials.

The problems they identified were:

- Being dependent on the goodwill of an individual in the prison
- Prisoners as board members - not having a clear status
- The attitudes of some prison and probation staff towards offenders and ex-offenders delivering services, increasing risk, potential security issues, etc.
- Attempting to pay prisoners external day rates for the job - this created difficult dynamics within the prison when other prisoners were only receiving ‘prison pay’ for their work.
- Having no control over the workforce as prisoners are regularly moved around

These issues were also cited by independent social enterprises and are systematic to working in NOMS. However, the remaining issues are specific to the development of an internal model:

- Legal problems relating to setting up an independent entity within the prison
- Creating an independent bank account
- Being unable to carry forward money year on year so unable to budget or re-invest in the business

- Enterprises were not set up and run by business people
- It is unclear how robust the business plans have been, especially in relation to a knowledge of markets
- Having prison staff as board members - there is no reason to assume that they have business skills or priorities
- Ambivalent attitudes of offenders towards projects seen to be run by the prison, especially on release, they want to put any links with prison behind them

As the government's agenda of creating new 'public service mutuals', including within prisons and probation services, is developed, these issues will become increasingly significant. More evaluation is needed to demonstrate to others within NOMS and beyond, what is working well and where there are problems, particularly in relation to "internal social enterprises". Prison and probation staff need to identify what tools and techniques are available to measure the work of social enterprises.

NOMS should clarify questions such as: how does the Board of a social enterprise sit alongside the Board of a Probation Service Trust? What are the social enterprise Board's legal liabilities? Would there be unfair advantage issues around contracting with an internal social enterprise under the competition and contestability guidelines? What are the alternative models that are possible within Trust status?

NOMS should undertake an evaluation of the various models of "internal social enterprises", including identified failed examples, in order to identify critical success factors for the replication of this model. In order to avoid waste in a time of limited public funding, it should seek to ensure that any developments of this kind are genuinely creating better value for money as well as improving the delivery of the reducing re-offending agenda.

## **Government policy**

### **Delivering public services - widening participation**

Both Labour and Coalition governments have sought to create greater opportunities for a wide range of provider organisations including the private sector, social enterprises and voluntary organisations to take on contracts to deliver public services. In spite of many different initiatives and considerable resources directed to support these changes, the results can be said to be at best mixed. Public agencies, including prisons and probation services may regard this move as a threat to the integrity of services and to individuals' jobs. The social enterprise sector has looked for changes to the commissioning and procurement processes to enable social value, also described as additionality, to be included in the awarding criteria as well as the core contracted service.

## 2002 - 2010

The previous government's Social Enterprise: a strategy for success<sup>2</sup> was first articulation of government's vision of dynamic and sustainable social enterprise sector.

In May 2006 government created the new Office of the Third Sector (OTS) with a brief to lead work across government to support the environment for a thriving third sector (voluntary and community groups, social enterprises, charities, cooperatives and mutuals), enabling the sector to campaign for change, deliver public services, promote social enterprise and strengthen communities.

The Social enterprise action plan: Scaling New Heights<sup>3</sup> set out its new strategy for social enterprise. The social enterprise actions were divided into four themes, which aim to:

- **foster a culture of social enterprise**, especially by inspiring the next generation to start thinking about the social impact of business
- **improve the business advice, information and support** available to social enterprises
- **tackle the barriers to access to finance** that restrict the growth of social enterprises
- **enable social enterprises to work effectively with government** to develop policy in areas of expertise

The action plan included commitments from 12 government departments and bodies - including the Department for Business, Enterprise and Regulatory Reform, the Department of Health, the Department for Children, Schools and Families, as well as the Office of the Third Sector.

The move of social enterprise policy function from the enterprise focused ministry (DTI/BERR/BIS) to the Office of the Third Sector led to some confusion about the distinction between social enterprises and traditional voluntary organisations, both within the third sector and with those who wish to engage with it.

Public agencies such as prisons and probation services have targets relating to the level of engagement with the 'third sector' and so find it difficult to distinguish between the two definitions.

## Changes since 2010

Since the General Election in May 2010, the Coalition government has pursued the agenda of encouraging 'any willing provider' to deliver public services and the publication of the Open Public Services White Paper<sup>4</sup> demonstrated that voluntary and community and social enterprise organisations (VCSE) would have an active role in public service delivery.

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<sup>2</sup> Social Enterprise: a Strategy for Success, DTI, 2002

<sup>3</sup> Scaling New Heights, Social Enterprise Action Plan, OTS, 2006

<sup>4</sup> Open Public Services White Paper, HM Government, July 2011

The White Paper states that ‘power should be decentralised to the lowest appropriate level’. It also identifies a category of ‘Neighbourhood services’.

“These are services provided very locally and on a collective rather than an individual basis - such as maintenance of the local public realm, leisure and recreation facilities and community safety.”

Other services, categorised as ‘Commissioned services’ are categorised as:

“These are local and national services that cannot be devolved to individuals or communities such as tax collection, prisons, emergency healthcare or welfare to work.”

Commissioned services may be delivered by VCSE organisations but these will be competing with private sector providers.

The Localism agenda also reinforces the desire to place local people as service users at the heart of the commissioning process, including running organisations that deliver some services.

The Coalition government published ‘Breaking the Cycle: effective punishment, rehabilitation and sentencing of offenders’<sup>5</sup>. As part of the proposed process of reforming services, the paper proposed:

Considering the scope and value of different business models such as public sector workers forming employee-owned co-operatives

In general the green paper refers to ‘voluntary and community organisations’ rather than social enterprises. However social enterprises are recognised specifically in having a role in reducing the costs of community payback. Competition will replace Best Value as a measure of identifying service providers. The aim is to create large contracts and have single providers take on the delivery of services.

The green paper also introduces the requirement for ‘Payment by Results’. Government intends:

To pay providers to reduce reoffending, paid for by the savings this will generate for the criminal justice system ... To do this we will give providers the freedom to innovate to deliver results, paying them according to the outcomes they achieve and opening up the market to diverse new players who bring fresh ideas.

Payment by results is described in the following terms:

We will need in most cases to contract with one provider to deliver the overall community sentence. This will mean making two kinds of

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<sup>5</sup> Breaking the Cycle: Effective Punishment, Rehabilitation and Sentencing of Offenders, Ministry of Justice, December 2010

payments. One payment will be made for delivering the statutory requirements and ensuring compliance with the sentence. A further payment would be made on the results the provider delivers in reducing reoffending.

This provider, or consortia of providers, may choose to sub-contract some services to other partners. This model would need to ensure that the risk of failure was appropriately managed between the main provider and the subcontractor using appropriate standards.

Payment by results is linked to the new model of Social Impact Bonds, an attempt to bring other funding into the system with investors standing to earn interest on their money from the results payments. A pilot project is currently running in Peterborough, using the model of raising money through philanthropic sources.

Social enterprises may be excluded from delivering services within this model as smaller organisations will not be able to manage the financial risk of being paid in arrears. There maybe some opportunities for sub-contracting services depending on how the prime contractors interpret the management of the risk of failure described above. A report by the Young Foundation<sup>6</sup> identifies that Social Impact Bonds will only be viable on a large scale, for contracts worth an minimum of £25 million and there may be other concerns for social enterprises because they will not fund innovation, as being too risky, and it will be difficult to prove the benefit of one action if it is part of a wider system of support.

In general there seems to be a move towards large contracts to single providers and there are probably no more than two or three social enterprises that are large enough to take on the role of prime provider.

### **Divestment of public services**

As part of the public spending cuts required by the deficit reduction strategy, public sector organisations are seeking ways of reducing costs and externalising services. This includes divesting services into public service mutuals and some Probation Trusts are seeking to do this by setting up Special Purpose Vehicles in order to do this. This involves setting up independent companies to which they will transfer probation staff to bid for government contracts such as the recent Community Payback commissioning process. In some parts of the country, several Probation Trusts have joined together to set up new companies through which they have made joint bids competing with large private sector providers. It is not yet known if any of these have been successful.

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<sup>6</sup> Social Impact Investment: the challenge and opportunity of Social Impact Bonds, Mulgan, G., Reeder, N., Aylott, M. and Bo'sher, L., The Young Foundation, 2010, revised 2011

Breaking the Cycle: Government Response<sup>7</sup>, gives examples of social enterprises being set up by prisons and probation services to implement the new approaches, for example:

At HMP Forest Bank, Sodexo Justice Services is proposing to launch a Social Enterprise employing prisoners for 40 hours a week in a professional print shop. As well as providing prisoners with meaningful work and real skills, the majority of profits will go to victim support organisations, with the remaining profits helping to fund successful resettlement of prisoners to prevent reoffending.

The response maintains its focus on payment by results and contracting with a range of providers.

In the Open Public Services White Paper, there is a specific mention of the opening up of the offender management market to private and Voluntary, Community and Social Enterprise providers within the 'forthcoming competition strategy for offender provision'<sup>8</sup>. It also offers several ways in which government intends breaking down the barriers that prevent smaller businesses of all kinds in bidding for public service contracts.

### **What does it mean?**

Social enterprises wanting to deliver services within the reducing reoffending agenda are finding that they are facing many of the same issues as under the previous regime. There are still barriers to smaller organisations participating in the commissioning and procurement process, systems are heavily weighted towards a small number of powerful private sector providers that can manage the complex bidding process and the financial risks of the payment schedules. Anecdotally, social enterprises are not finding opportunities to sub-contract from these providers.

The divestment agenda and the opportunity to create public service mutuals appears to be driving the staff within prisons and probation services to a far greater degree than when the research was undertaken in 2009. Much emphasis is being given to untested social enterprise models with no evidence that these are being evaluated to learn lessons that can be disseminated to others. The risk is that for the public sector this could be a wasteful failure and that for the social enterprise sector, a number of organisations that are social enterprises in name only will fail, to the detriment of the reputation of the whole sector.

Reducing Reoffending Through Social Enterprise provides an evidence base for developing this approach, identifying some of the potential barriers and what could be done to overcome them. Its findings are still being disseminated by NOMS and within the social enterprise sector where it is recognised as having useful things to say about how social enterprises can be

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<sup>7</sup> Breaking the Cycle: Government Response, Ministry of Justice, July 2011

<sup>8</sup> Open Public Services White Paper, HM Government, July 2011

developed. NOMS has supported the delivery of nine workshops for social enterprises, prisons and probation services to help them to build relationships and work more effectively together. It is hoped that this approach will be continues in the coming year.

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August 2011