

Craig Dearden-Phillips
with Mark Griffiths

stepping
out

HOW TO STEP OUT

Your guide to leading a mutual or social
enterprise spin-out from the public sector



BUSINESS PLAN

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Stepping Out

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About this book

This book is for those people in the UK public sector who have been thinking about leading a new public sector social enterprise or mutual – but so far haven’t taken the plunge. I wanted to bring to life on the page the people who are doing this already – their thoughts, fears, hopes, views and advice. On top of this, I wanted to help you feel properly equipped for the journey ahead, should you take it, by setting out some practical guidance and opening up a community of people who share your vision.

This is a practical handbook for people in the public sector who want to find a new way to express public sector values – people who feel they have hit a brick wall in terms of where they have been able to take their own services. And people who want to conserve and grow something great that has been incubated inside the public sector, but which can now be planted outdoors in a new venture where it can meet its potential.

This is also very much a book for those in public services charged with finding the best services on which to spend public money. The book will, I hope, stimulate not only direct procurement from this kind of provider – but also encourage commissioners inside public services to look at the residual services provided in-house and examine their potential to be commissioned as social enterprises, mutuals or joint venture partnerships.

This book is, in part, making a case for a different future by laying out a different approach – that of the spun-out, or stepped-out public service. To write it, Mark Griffiths and I were given innumerable hours of busy people’s time – people who have done this, who want to share what they now know and put their name against their comments. This book is written as much by these trailblazers as by ourselves.

While many publications talk about public services and social enterprise, I wanted to write a book that explains social enterprise as it is being done today, in the 2010s, through the voices and experiences of those in the vanguard. There is much to be learned from this, not just by those who might want to follow in their footsteps, but also by opinion-formers and public intellectuals, who, so far, have remained either pro-existing public services or pro-privatisation. The story here is of a new and vibrant sector, a fresh approach which marries the public sector ethos with the discipline of a commercial approach.

Last, but not least, my thanks go to NESTA, in particular, to Tim Pope, for his unflagging enthusiasm and support for the project and making it happen. In these times, there has to be a good reason for publishing a book. Together, we found one.

Meet the authors

Craig Dearden-Phillips MBE

Craig Dearden-Phillips is the Founding MD of Stepping Out, a pioneering business helping public services to become social enterprises. He also chairs its new social start-ups fund, the Stepping Out Foundation. A serial social entrepreneur, Craig is the Founder of the UK disability social enterprise, Speaking Up (now VoiceAbility), and is co-founder of several smaller civil society organisations. Craig is also a trustee of Impetus Trust, a venture-philanthropy charity. Author of *Your Chance to Change the World*, a best-selling business book for new social entrepreneurs, Craig is an occasional columnist for *The Guardian*, as well as a regular public speaker. He lives in Suffolk and likes to go running. Craig's wide and ever-growing social enterprise network has enabled *How To Step Out* to come into being and his is the voice that guides you through every chapter.

Mark Griffiths

Mark conducted and collated the primary research that forms the heart of *How To Step Out*. He also assisted directly in the writing of Craig's previous book and is an Associate of Stepping Out, having now worked directly with several public sector spin-outs. Mark has authored several books on branding and marketing in his own name, including *Nice Little ERNIE*, about the growth and social history of Premium Bonds and *Guinness Is Guinness: the colourful story of a black and white brand*. A former senior employee of The Body Shop – where he was ghostwriter to Anita Roddick – and Interbrand, Mark now runs Ideal, his own values-led consultancy specialising in wordsmithing, branding consultancy and CSR communications for a varied range of commercial and not-for-profit organisations.

Meet the experts

Angie Abbott

Head of Podiatry Services, Torbay and Southern Devon Care Trust

Through much of 2011, under the working title of Denpod, Angie Abbott and Richard Garton have been striving to pass 'Milestone 2' – the Care Trust's approval of their Integrated Business Plan for their Dentistry, Podiatry and Orthotics SE. In October, at the second time of asking, they succeeded.

Chris Bally

Assistant Director (Business Development), Suffolk County Council

Suffolk County Council's Business Development Team works on corporate projects and initiatives and leads on new ways of working and providing resources for commissioners and a wide range of potential spin-outs.

Kevin Bond

Chief Executive, NAViGO Health and Social Care CIC

Since April 2011, NAViGO has been providing mental health and care services free at point of use to the people of North East Lincolnshire on behalf of the NHS, GPs and local authorities. NAViGO was formerly North East Lincolnshire Mental Health Services, part of the Care Trust Plus PCT.

Andrew Burnell

Chief Executive, City Health Care Partnership CIC

Since June 2010, City Health Care Partnership has been providing a wide range of healthcare services to over half a million local people in Hull and the surrounding East Riding of Yorkshire.

Tony Butler

Chief Executive, Museum Of East Anglian Life

Based in the heart of Stowmarket in Suffolk, the Museum Of East Anglian Life is a social enterprise that engages with its community to make East Anglia a better place to live in many ways, for example by running supported volunteering programmes for socially disadvantaged groups.

Doug Cresswell

Chief Executive, Pure Innovations Ltd

Pure Innovations Ltd stepped out of Stockport Metropolitan Borough Council in 2005 and has built a reputation for successfully transforming traditional social care and employment services, finding new solutions for disadvantaged people to be an integral part of the economic and social community.

Terry Daftter

Director, Adult Social Care, Stockport Metropolitan Borough Council

Over the past six years, in terms of social care, Stockport Metropolitan Borough Council has spun out two very different organisations – Individual Solutions SK, a company wholly owned by the council, and Pure Innovations, a charitable company limited by guarantee.

Scott Darraugh

Chief Executive, Social adVentures, Community Benefit Society

Social adVentures is a social enterprise jointly owned by service users, employees and local Salford people. It aims to inspire all local people to lead happier and healthier lives and delivers a range of NHS services, including health improvement, smoking reduction, mental health and learning disabilities.

Meet the experts

Lance Gardner

Chief Executive, Care Plus Group, Community Benefit Society

Since July 2011, Care Plus Group has provided adult healthcare to over 150,000 people in North East Lincolnshire and surrounding environs. Care Plus was formerly the provider arm of North East Lincolnshire Care Trust Plus.

Richard Garton

Dental Clinical Director, South Devon Community Dental Service

Through much of 2011, under the working title of Denpod, Richard Garton and Angie Abbott have been striving to pass 'Milestone 2' – their Care Trust's approval of their Integrated Business Plan for their Dentistry, Podiatry and Orthotics SE. In October, at the second time of asking, they succeeded.

Jane Gray

Director of Nursing & Development, Inclusion Healthcare CIC

Inclusion Healthcare delivers GP services and specialises in providing high-quality and comprehensive primary care to hard-to-reach and vulnerable people within Leicester city, working to a vision around 'the right service, right people, right place, right time'.

Clive Hammond

Chief Executive, Eastern Facilities Management Solutions Ltd

Eastern Facilities Management Solutions went live as a wholly owned company of Suffolk County Council in November 2011. Formerly known as Suffolk Traded Services, it offers a total managed or operational support solution for facilities management.

Dr Linda Harris

Chief Executive, Spectrum Community Health CIC

Since April 2011, Spectrum has been providing high-quality, specialist advice, care and treatment for substance and alcohol misuse, sexual health and offender health and wellbeing on behalf of the NHS.

Jo Hay

Commissioning Director, Royal Borough of Kensington and Chelsea

The Royal Borough of Kensington and Chelsea is supporting its Youth Support and Development Service to spin out as social enterprises. The youth mutual is a Cabinet Office Pathfinder.

Dawn Hewitt

Chief Executive Officer, CHUMS Social Enterprise CIC

CHUMS, the Child Bereavement, Trauma and Emotional Wellbeing Service, went live as a social enterprise in June 2011. CHUMS supports children, young people and their families by offering a variety of interventions which help to build resilience and give them hope for the future.

Geoff Lake

Adult Social Care Strategic Advisor for Care Trust Plus, North East Lincolnshire

When Geoff was Director of Integrated Commissioning, Care Trust Plus spun out NAViGO CIC and Care Plus Community Benefit Society – it is in the process of spinning out a third organisation in the area of social work.

Amos Mallard

Communications and Marketing Officer, Birmingham and Solihull NHS Cluster

In 2011, Amos Mallard and Rob Benson, a colleague from NHS Birmingham East and North, progressed through Expression of Interest towards 'Milestone 2' – their NHS Trust's approval of their Integrated Business Plan for their engagement and social marketing spin-out social enterprise.

Anna McCreadie

Commissioner, Suffolk County Council

Suffolk County Council is in the process of spinning out a range of services, from sensory disability social care and rehabilitation to employment enterprise, information, advice and guidance services.

Phil McEvoy

Managing Director, Six Degrees Social Enterprise CIC

Founded in 2011, Six Degrees Social Enterprise is based in Salford. The mission of the enterprise is to build more resilient communities in which people with mental health problems are accepted, supported and equipped to deal with the challenges they face.

John Niland

CEO, Central Essex Community Services CIC

As the provider arm of NHS Mid Essex, Central Essex Community Services span out to provide a range of health and social care services across the East of England and North London.

Brendan O'Keefe

Head of Services to Young People, Royal Borough of Kensington and Chelsea

With the future of youth support services under threat nationally, Kensington and Chelsea joined the Cabinet Office Pathfinder Mutual programme in August 2010 to consider a radical alternative. Brendan O'Keefe is leading a feasibility project on spinning out the service as a social enterprise.

Ali Parsa

Chief Executive, Circle, employee-co-owned healthcare provider

49.9 per cent owned by employees and 50.1 per cent by financial investors, Circle is one of the UK's largest social enterprises, whose aim is to build a great company dedicated to its patients. It was founded to offer the best possible clinical outcomes and patient experience at the smartest possible value.

Jonathan Parsons

Managing Director, Chime Social Enterprise

Since May 2011, Chime has been providing NHS audiology services, including hearing aids, free at the point of delivery for people in NHS Devon – Mid, East and Exeter areas.

Jo Pritchard

Managing Director, Central Surrey Health Ltd

Owned and run by the 700+ nurses and therapists it employs, Central Surrey Health was the first social enterprise to come out of the NHS and now provides therapy and community nursing services to over 280,000 people.

Satesh Sehdev

GP, Orchard Practice, Hayes, Middlesex

The Orchard GP Practice is in the process of spinning out from NHS London and going live as a social enterprise CIC.

Sarah Sharrott

Head of Enterprise, Employment Advice, Guidance & Learning, at Suffolk County Council

Sarah is in the process of spinning out her service as the social enterprise, Realise CIC. She is initially running a regional Next Step contract with an employment and training focus, won by her team from the Skills Funding Agency, for adult and community learning provision across Suffolk.

Stephen Sloss

Chief Executive, Salvere CIC

Based in the North West, with contracts in Trafford and Stockport, Salvere is a new way of providing personal and practical support services by matching clients who need help and support with those who can provide it – for instance, assisting service users with everyday tasks and activities.

Warren Smyth

Chief Executive, Abbeycroft Leisure Ltd

Abbeycroft Leisure is a company limited by guarantee with charitable status and a holder of the Social Enterprise Mark. The organisation manages leisure facilities and services on behalf of St Edmundsbury Borough Council.

Chris Tully

Managing Director, Ripplez CIC

Since April 2011, Ripplez has provided NHS services to young parents-to-be in Derby who are aged 17 or under in their first pregnancy, aiming to create positive changes in health, relationships, parental role and wellbeing.

Geoff Walker

Chief Executive, Sandwell Community Caring Trust and charity

Since 1997, Sandwell CCT has provided supported living, day and respite care for adults and older people with physical, learning and multiple disabilities, under the ethos 'disability does not mean inability'.

Neil Woodbridge

Chief Executive, Thurrock Lifestyle Solutions CIC

Based in Grays, Essex, Thurrock Lifestyle Solutions is a social enterprise that has enabled previous 'service users' to take control of their services and modernise them to support disabled people so that they have full choice and control to live the lives they desire in their communities.

Foreword

by Geoff Mulgan

This book showcases an impressive group of pioneers working out new ways for groups of public servants to move out of the public sector into new structures. They are doing so in very interesting – and challenging – times. Across the public sector leaders and managers are grappling with shrinking budgets and escalating pressures. This isn't an easy environment in which to radically change what you do.

But the pioneers see themselves as part of a larger movement to widen pluralism in public services, opening up more choices beyond the traditional ones of either in-house or private sector delivery.

These emerging models seek to blend a strong public service ethos with commercial nous and employee influence. The emerging evidence suggests such structures can transform staff attitudes, increase motivation and enhance productivity. At their best they can encourage staff to deepen their sense of accountability downwards to citizens and users rather than only upwards. They can also make it easier to innovate and adapt.

But despite the encouraging rhetoric of recent years, the reality is that there is little experience of organisations having spun out of the public sector. There are no guarantees that spinning out will lead to greater responsiveness, innovation or efficiency. Organisational change and public sector reform are notoriously complex. Changing structures alone doesn't usually make things better.

So it's vital that public servants looking to step out should think long and hard about both the opportunities and the risks. How will they use greater freedom to enhance services? What legal forms should they choose? How will they be able to finance growth? Where will they access new skills to negotiate contracts? Just as important, how will they manage to simultaneously develop new models and keep staff motivated to deliver the current service?

The stories of success and failure contained here are a timely inspiration and guide to those who will follow them. They're refreshingly honest and devoid of hype but they also radiate hope. It is encouraging that despite the challenges they have had to address, none would return to their previous roles. All are convinced that greater pluralism can drive innovation and deliver more value to citizens. That, more than anything, is the positive and useful message contained in these fascinating reports from the front line.

Geoff Mulgan, Chief Executive, NESTA

Let's make our public services great again

by Craig Dearden-Phillips

I am publishing this book because I believe in the future of public services. This belief is based on what I have seen in public services over 20 years.

It feels to me that we're at an important point in the discussion about UK public service provision. Although I'm confident that there will be more social enterprises emerging in the near future, this could either turn out to be a steep or gently rising curve. I also know that while, structurally, there is a strong case for social enterprise in public services, this doesn't necessarily mean that it will actually happen.

Posited against this model is, on one side, the public sector unions, who remain wedded to state provision, and, on the other, the free-marketers, who would happily see nearly all public services handed straight to large global corporations on very long-term, inflexible contracts, in which social innovation, community and individual resources, and employee ownership would play little part.

I think there is a better future on offer than that.

An awakening...

My view about public services has also been informed by my first career as a social entrepreneur working with disabled people. After a few years, I realised that my organisation, Speaking Up, was actually dealing with the legacy of failed state services. From birth, the state was pretty much destroying many disabled people's life chances – at great financial cost. Wrestling control of that money and those decisions was the only real chance people had of getting their lives into a better place, I discovered. What I also found out was how frustrated many of the people working in state organisations were and how this showed in sickness, low-productivity, and an absence of hope. It was extremely rare to find any real 'can-do' in the sector in which I operated. I came to regard state services as a noble experiment gone terribly wrong.

On the other hand, I didn't trust the free market either. In the disability sector, community care allowed private companies to enter the scene. This did a lot of good in many places, bringing investment and a variety of businesses – small, medium and large – into a stagnant care and support industry. But, over time, in the endless search for returns, the industry consolidated. Smaller businesses were bought out by ever-growing ones, all fuelled by investment funds that needed high returns. Money was borrowed to buy more businesses out then repaid by selling

on those businesses quickly. Massive returns were generated – in the case of Southern Cross, by selling the housing stock of its companies and leasing back the homes.

I had some business dealings with this care sector. Speaking Up, my first organisation, partnered with an excellent small private provider which was then bought and sold a number of times as it grew in scope, struggling to pay the debts loaded onto it by successive buyers. To recover as a business, this provider started taking into its secure hospitals whomever it could, regardless of people's real needs, and held on to them for what we saw as unreasonably long periods. To perform as a business, it had to do the wrong things for people – and working with them was a clear lesson to me that an undiluted pursuit of profit isn't going to lead naturally to the best outcomes for people. We saw the quality of that service slide into chaos and the culture turn toxic as the company kept changing hands. By the time we walked away, their culture and operations were under close scrutiny by the regulators and the company was nothing like the one its founders envisaged.

A realisation...

Around the same time, I was hearing about social enterprise. I realised, quite quickly, that I was operating one. We were profitable – but we reinvested profits in our mission. While we received donations as a charity, we were increasingly a business with clients and customers more than donors. We also had a powerful social mission and expressed this in our employment policies and the way we ran the business.

A little later I heard about social enterprises coming out of the public sector. At first, I was a bit sceptical. I wondered whether there were people in the public sector who would swap a very secure berth for the roller coaster of running an independent business. Then I met a few of them. What they all had in common was a profound desire to serve – but a deep frustration at the limitations placed upon them in large, public organisations. Many of them reminded me of myself. All believed powerfully in the importance of a motivated, switched-on workforce. Every single one of them knew they could do more with less in a free-standing organisation.

So I decided to mentor one of these leaders. What I saw from doing this was how much there was to gain. The following year, a thousand staff were due to step out from the NHS into the new social enterprise. Already, my guy had a plan to change the organisation from one in which performance was mediocre to best-in-class. He was transfixed by ideas about customer service, which had hitherto been impossible to practise without running into bureaucratic quicksand. Crucially, he saw how the business could grow to meet a wider level of need locally, how it could join up different needs. And he could do all this on a budget which was going south, because of the productivity gains that would be made simply by not being part of a public sector cost-base.

His story was matched by that of many other people I met shortly after. I was sold completely on this idea. It made total sense to me. Businesses that exist for public benefit and are also dynamic, innovative, competitive and properly led. Not scared of competing with the private sector and capable of negotiating with the public sector on proper, commercial terms. The key would be to create more of them, a critical mass. To some degree, this was underway by 2008, with the Right to Request process in the NHS, now called Right to Provide. But these were outliers, early adapters. It was important to get more of these going. Vital too was persuading ordinary public managers that this was a course they should consider.

What was...Right to Request?

The Right to Request enabled frontline primary care trust (PCT) staff to apply to their PCT board to deliver specific services through a social enterprise. Introduced in 2008, the Right to Request was open to all PCT frontline staff, and invited proposals to help transform local health and social care services.

The Right to Request scheme closed for applications on 30 September 2010, in line with the requirement that PCTs separated commissioning and provision of community services by April 2011. A number of proposals from staff, over three waves of the Right to Request, are now live or working towards it.

Following the successes of the Right to Request, the Department of Health launched the Right to Provide on 30 March 2011. This offers staff across the statutory health and social care sector the opportunity to apply for support in setting up employee-led organisations to run and expand the services they already deliver.

One of the things I noticed in my work in health was the exceptional entrepreneurialism of the group involved in social enterprise. Not everyone is of the same quality, though, and I felt that more support was needed to give everyone a chance to do this if they wanted.

To this end, I set up Stepping Out. The aim of my business was to create the technical and human backing required to support people who are contemplating leading a spin-out. I had come to the end of one journey and wanted to start another – to help to change the public sector. This is the motivating force of my new business. And an important starting point in making a wider impact, I felt, was to share the learning of the cohort of people I'd had the privilege of getting to know during my first year in business. This book is built around that learning.

A year into my Stepping Out business, what do I have to say to people inside the public sector considering stepping out? The first thing is to see if it's for you. Read this book. Hear from those already doing it. If you're struggling with your health or a mass of commitments or worries outside of work, this may not be the right path for you just now. My chief observation, however, is that if you've got energy, guts and enough space in your life to have a 'second job' for a while, you are the ideal candidate.

You know who you are...

This book will be of particular interest to those who might be termed 'mavericks' in the public sector – people who have never felt particularly at home in large, process-driven organisations. And people, who, now more than ever, feel that their own creativity and energy could actually be of massive help in difficult financial times.

People such as **Doug Cresswell**, of Pure Innovations, in Stockport, Cheshire. "My strong belief was that we could improve and change things more quickly and be more effective as a business than as part of a Local Authority." Or **Dawn Hewitt**, of CHUMS Child Bereavement and Trauma Service, in Luton. "Over several years we were unsure over funding with the NHS. We were told that some services were going to stop and that people faced redundancy. We'd supported 350 children for the previous four years and wanted to reach out to more, as well as get new contracts and generate income from other services." Or **Stephen Sloss** of Salvere, a former Director of Adult Services in Blackburn, Lancashire, who wanted to make the idea of

personalised services – so often talked about but never truly realised at council level – into a proper business.

Here you will find their voices, their stories and, I hope, a good mixture of inspiration and practical guidance as you contemplate leading a new social enterprise venture.

In this book, I am eager to convey that, while the journey is hard and has its risks, the path for those setting out today will be easier than for many of the early pioneers featured here. We now know more about how to do this than ever before. Experience is now being shared and a template is emerging for dealing with the legalities, pensions and other thorny issues. Furthermore, there are pockets of cash, which will be augmented by a central government fund. This book is a direct call to those thinking about this to take the next step. I want to make it easier than it was for the people you're going to read about. And I hope you join them.

A thought for commissioners of services...

There is much for commissioners to be excited about in this agenda. Indeed, we talk to a few of them here, including some who have actually supported spin-outs into existence. What do they say?

For **Geoff Lake**, former Commissioner in North East Lincolnshire, there's a wider community issue around the values base of social enterprise. "There's a big hearts and minds issue here," says Geoff. "But, for Ministers to stand up and talk about John Lewis or Waitrose is not helpful. To talk about Homerton Hospital and other examples would be more meaningful. To really make this more competitive and value-for-money and support that, then you've got to sell what it offers more."

I know that many commissioners feel frustrated by the constraints and contradictions of in-house commissioning. Honest relationships are difficult. The politics of in-house provision tend to put one arm behind commissioners' backs. They have to dispense advice, but often need it themselves. "Down the line, there are two entities getting advice: the commissioner and the spin-out," says **Chris Bally**, Head of Corporate Resources, Suffolk County Council.

By contrast, converting in-house services to a social enterprise allows a proper arm's length relationship and, over time, enables commissioners to compare the enterprise with other offerings in a particular marketplace. This, in turn, gives commissioners the means to encourage a new social enterprise partner to raise their game or move the service into new directions – or lose the contract. In short, what was a constrained and claustrophobic relationship can, through the externalisation of that service to social enterprise, become a more honest and mutually responsive relationship.

But, beyond a more honest relationship, what is there here to excite commissioners? I'd point to three things. The first is that a social enterprise, unlike a lot of providers, will have a strong investment in your particular community. As a spin-out, it will have roots there – they ain't going anywhere and their local reputation will mean a lot to them. Not all providers think like that. Indeed, if things don't go their way, they can up-sticks, leaving you with a big problem. Secondly, stepped-out businesses are always going to have an equitable relationship with commissioners. You're not going to find yourself up against a corporate titan, but an organisation of comparable resources to your own. Thirdly, a local social enterprise partner can and will go 'beyond contract' and bring other local benefits that meet the broader agenda of

the public body. This might involve jobs, regeneration or the environment – a commissioner should always be able to point to more than your money’s worth of beyond-contract benefits.

The leaders of your local public sector organisation today may well be next year’s commissioners of external social business services, so that first honest conversation is definitely worth having. As **Jo Hay**, Commissioner at Royal Borough of Kensington and Chelsea, says: “Essentially you are setting up a new business so the key thing is to know what your product or service is, and that what you offer would be better value to the council than if they kept it in-house. What are the benefits to the public sector body of you spinning out?”

What next?

What is the current and future role for social enterprises and mutuals in the eco-system of UK public services? The 2010 Coalition Government made much of the possibilities for employee-led mutuals. Up to the time of writing, 22 ‘Pathfinders’ – departments within councils, the NHS, central government – had formed new bodies. Within the NHS, a programme started under Labour and continued by the Coalition saw up to 64 providers emerging from the NHS as independent bodies. These varied a lot in size, from a handful of people up to a few thousand.

The aspiration, expressed by leading politicians, is to see a million public sector employees in these bodies by 2016. The evidence so far is that this may be on the optimistic side. In 2011, it was still below six figures. The truth is that in the minds of many, the jury is still out on all this. In our view, government has to make it a whole lot easier for this to happen. If we want people to step out, then we have to give them real practical support – a peer group, some financial resource and some surety of a ‘starter’ contract to get the business underway. At time of writing, this offer is only there in part. So, understandably, many people are cautious.

By themselves, the Pathfinders and the rather anodyne Open Public Services White Paper will probably not be sufficient to turn a trickle of new ventures into a torrent.

There have also been consistent references by Francis Maude to the idea of partnerships between emerging spin-outs and the private or third sector. This is an interesting concept but what might it mean in practice?

Most spin-outs have been standalone entities, often set up using government grants and loans to get them going. Now that state funding is no longer there to the same extent, it will become increasingly necessary to look elsewhere for cash and expertise.

This is where partnerships could come in. One possible vision of the future in healthcare is represented by Circle Health, a social enterprise which is part-owned by its staff and part by its managers and financial backers. Each new NHS spin-out becomes part of Circle, with the employee share of the company kept at the same level – around 50 per cent. Chief Executive, **Ali Parsa**, features strongly in this book.

Two of the councils Stepping Out are working with are seriously considering seeking partners for the spin-out of part of their in-house services – a joint venture as opposed to stand alone. The idea will be to ask charities and private sector organisations to compete – with investment and skills – to be the joint-venture partner for the new companies in exchange for a long-term contract and a stake in the company.

Speaking to people on the frontline about this, there are many attractions in the partnership

model. If a well-known name is seen to be willing to risk its reputation on a spin-out, it encourages others to get involved. Likewise, staff and managers know that there will be support to fall back on. It is somehow easier to imagine this kind of scenario than hundreds of stand-alone mutuals and social enterprises spontaneously emerging from a cash-strapped public sector.

Of course, there could be problems, including a potential clash as the public service ethos vies to find a common agenda with the commercial side. This is difficult stuff and nobody should pretend there aren't any dangers, but that shouldn't close minds to possibilities.

Given public discomfort about private profit in health and care services, this could become a big opportunity for the third sector, particularly with the so-called Big Society Bank on the horizon. After all, the public service ethos is, in many respects, very similar to that found in not-for-profits. If the better players in the third sector rival private companies in attracting investment for new spin-out ventures, it is very easy to see charities being selected as preferred partners over social enterprises and mutual ventures.

One logical question, of course, is "Why go to all this trouble?" Why not just give charities and companies contracts to run the services themselves? Supporters of spin-outs would argue, correctly, that new spin-out ventures which are employee-owned, locally focused and not just a branch or a project of a national organisation, would be a better partner to a local authority. They are more invested in the local area and better at involving communities and individuals in the co-creation of services.

Where this agenda is going remains to be seen. While government may be enthusiastic, there is huge pressure, from the Treasury in particular, to create more efficient versions of what we've got, preferably delivered by the private sector. For the spin-out agenda to get more traction, it seems necessary for existing players from charities and private companies to get involved – and quickly – because the biggest danger for those already out there is that this movement remains small and peripheral. The next year or two are crucial. Partnerships appear to be a sensible way to press on beyond the first wave of early adapters.

Actually, beyond a little frustration, I'm not too worried about this. These problems will eventually be solved. The future for public services lies in services which conjoin the public resource – the tax and staff base of current public services with the resources of the community and individuals. I think that the organisational form which most powerfully delivers this is social enterprise, including mutuals.

Stories of transformation

Take NAViGO as an example. NAViGO was once part of the NHS – North East Lincolnshire Mental Health Service. It is now a social enterprise and is free to grow its venture, offering facilities management and catering services, which mainly employ former service users. Those service users now have a guaranteed role on the NAViGO board. Most importantly, NAViGO enjoys far greater freedom than it did before over how it uses its public money to achieve what it does. It does this by a model which both asks more of the patients themselves and gives them access to far more preventative services than could easily be delivered before. The focus now is on results. NAViGO's vital time and energy is no longer diverted to being part of a giant public provider, but to developing better approaches to services which involve users.

As Chief Executive, **Kevin Bond**, says: "Thanks to quicker decision-making processes, we

have already decided to set up a new regional eating disorder service. Reductions in sickness are steadily happening. There's more involvement of our local community, staff, partners and service users. More discussions on joint schemes with others and partnerships. Meetings are less frequent and more productive. The sense of ownership for all is steadily increasing."

"I saw this as my opportunity to join a forward-looking organisation with vision of how to run the Mental Health Service in our local area, for our local service users, by our local people."

June Munday, team secretary, Hope community mental health team, part of NAViGO¹

In the stories you'll read in this book some very clear messages shine through. One is about the importance of leaders. Every stepped-out business has been forged into existence by the will of a few people, often working all hours and against the odds. Those leaders have been motivated by an alternative public service ethos from the one they themselves experienced, one which recognised the importance of freedom, creativity and entrepreneurialism. All felt on some level that the public service ethos had been traduced to bureaucracy, that something important had been lost and needed to be reclaimed.

Another is about the importance of support. All of these ventures could not have happened without support, particularly early on. Financial support, sure. But also the support of government and the frameworks that allow these ventures to take off. Support, too, from others both inside and outside the social enterprise sector. From mentors, colleagues and commissioners. All have required – and found – support.

Virtually all the people we spoke to commented on how much better things are as a result of the change. Many have found it very easy to save money, to change services and to develop their ventures to meet new needs. Some have found investment and partnered with others, including private sector firms. But perhaps the most resonant point emerging from our research is the energy that a move to social enterprise unleashes within a former public service. How sickness levels appear to drop very quickly. How enthusiasm and productivity appear to rise once a venture has broken free from the mother ship of its larger public body. While this has yet to be studied empirically, it is fairly clear that there is a dividend in these terms alone – putting aside social innovation and profitability – which makes these social enterprises worth serious attention.

A final message coming through the comments is how enriching both the journey and destination are for those who choose this path. There is something very stimulating about being in control and not part of a large apparatus in which you don't feel you can do the obvious things. None of our interviewees, even those who have struggled all the way, would trade their current position for their old one. Most report that many of their employees feel the same way.

Craig Dearden-Phillips, Managing Director, Stepping Out