Finance in New ‘Spin-out’ Social Enterprises

Financial Priorities in Social Enterprise

CRAIG DEARDEN-PHILLIPS MBE

Founding MD of Stepping Out

stepping out

FROM GOOD PUBLIC SERVICE TO GREAT SOCIAL BUSINESS

First things First…..
I am not an accountant!

stepping OUT

FROM GOOD PUBLIC SERVICE TO GREAT SOCIAL BUSINESS

My Inspiration: Working in Care

stepping OUT

FROM GOOD PUBLIC SERVICE TO GREAT SOCIAL BUSINESS

The Speaking Up Story

SpeakingUp

voice

We **enable** people who experience learning difficulties, mental ill health or other disabilities to find their voice and shape their own lives.

action

We **create** positive choices for disabled people, by helping organisations to understand their needs and representing their views or supporting them to speak up for themselves.

change

We lead society towards recognising disabled people as equal and valued citizens with the same choices and opportunities as everyone else.

Speaking Up: Success

RADAR PEOPLE OF THE YEAR HUMAN RIGHTS AWARDS 2009

Reach ACHIEVED Awarded by Youth Action Network DURING 2008-11

National Training Awards 2008

community care 2006 AWARDS

NCVYS NATIONAL COUNCIL FOR VOLUNTARY YOUTH SERVICES

unsung heroes

the Charity Awards 2006 WINNER

ThirdSector Excellence Awards WINNER 2006

stepping out

“Helping public sector services to step out into social enterprise or mutuals safely, on time and ready to succeed”

DO FEEL FREE TO GET IN TOUCH 0845 474 6005

I help to create social enterprises coming out the public sector

The NAViGO Story….

Was a £20m chunk of NE Lincs Care Trust Plus

Main MH service-provider

Went through 'Right to Request'

Business-case approved Dec 10

Business went live April 1

The NAViGO Story….

Massive pressure for early savings - £1.7m to £1.1m in management/admin costs reductions in 4 yrs.

FD designate had no leadership experience

Function itself had to be built from scratch

Mixed talent pool on which to draw

Little commerical experience right through

Pensions issue rolling ur

FROM GOOD PUBLIC SERVICE TO GREAT SOCIAL BUSINESS

The NAViGO Story….

Difficult negotiation around working capital and payment schedule – 3 months in adv

Low levels of w/c and no real balance sheet to speak of

Risk profile of organisation heightened as a result

Governance is still relatively underdeveloped

Guaranteed 3 yr contract but what then?

Likely balkanisation of income streams under GP commissioning and other new regimes such as National Commissioning Board

Probable need for long-term external investment in addition to £200k spent so far

stepping out
FROM GOOD PUBLIC SERVICE TO GREAT SOCIAL BUSINESS

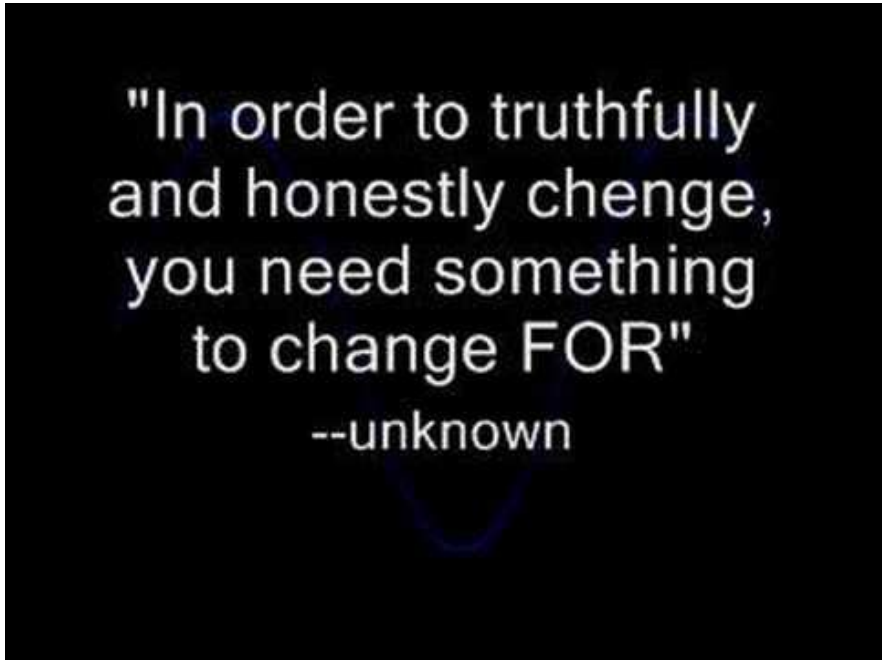
Spin-outs are expensive to plan, set up and commission – so why do it?

stepping OUT

FROM GOOD PUBLIC SERVICE TO GREAT SOCIAL BUSINESS

My Key Point Today…

Organizations and people change when they are put into a marketplace and asked to be responsible for their own future.



stepping OUT

FROM GOOD PUBLIC SERVICE TO GREAT SOCIAL BUSINESS

Spin-Outs can immediately start to lose weight:

In Year One for NAViGO:

Smaller & cheaper back-office

Easier to tackle public sector norms and practices

In Year One for Central Essex:

Plan to reduce management tiers and numbers of middle-managers

Reboot the culture

They can get the right people on the bus

A spin out business has more freedom to hire the right people – and the flexibility to remove the wrong ones

stepping OUT

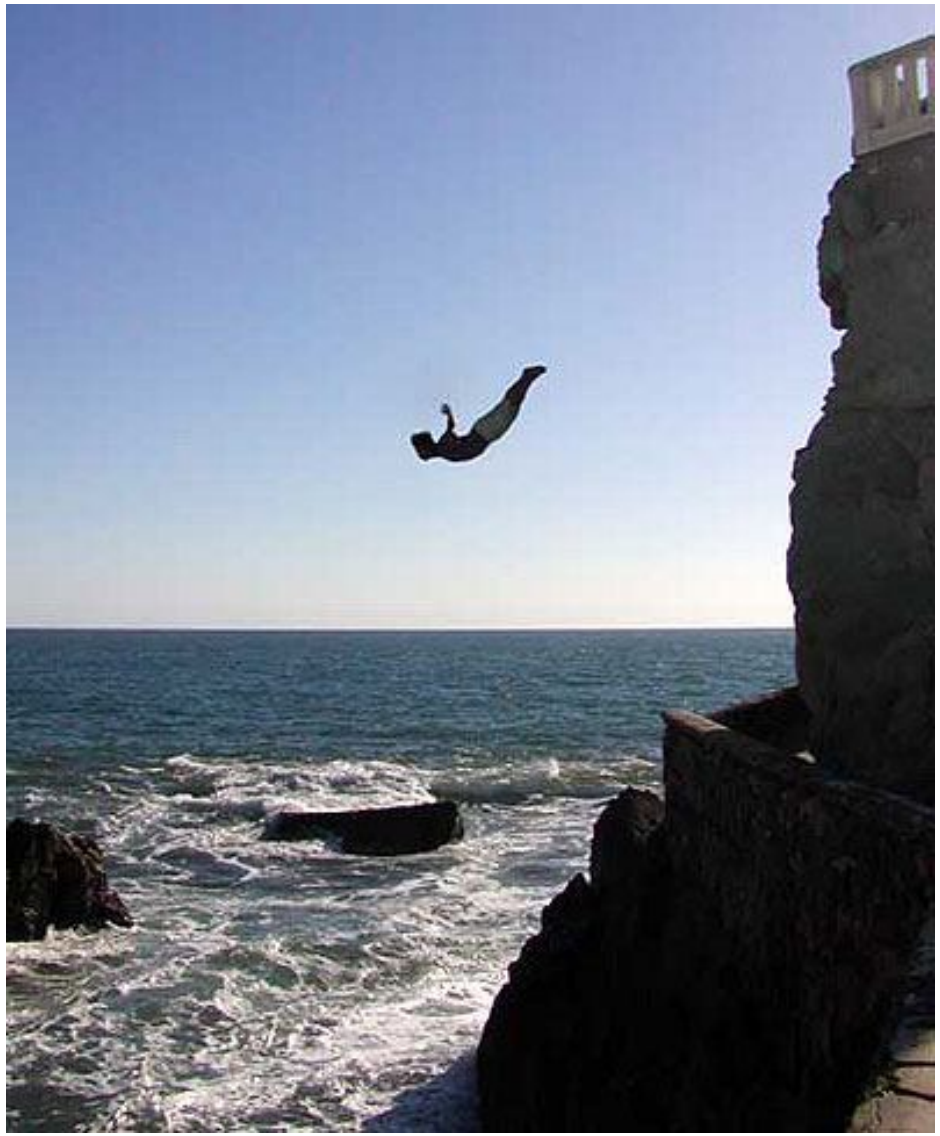
FROM GOOD PUBLIC SERVICE TO GREAT SOCIAL BUSINESS

A Spin Out makes everything a bit more human – in this together

stepping OUT

FROM GOOD PUBLIC SERVICE TO GREAT SOCIAL BUSINESS

There is a different attitude to risk



stepping OUT

FROM GOOD PUBLIC SERVICE TO GREAT SOCIAL BUSINESS

They have to cope with the realities….

stepping OUT

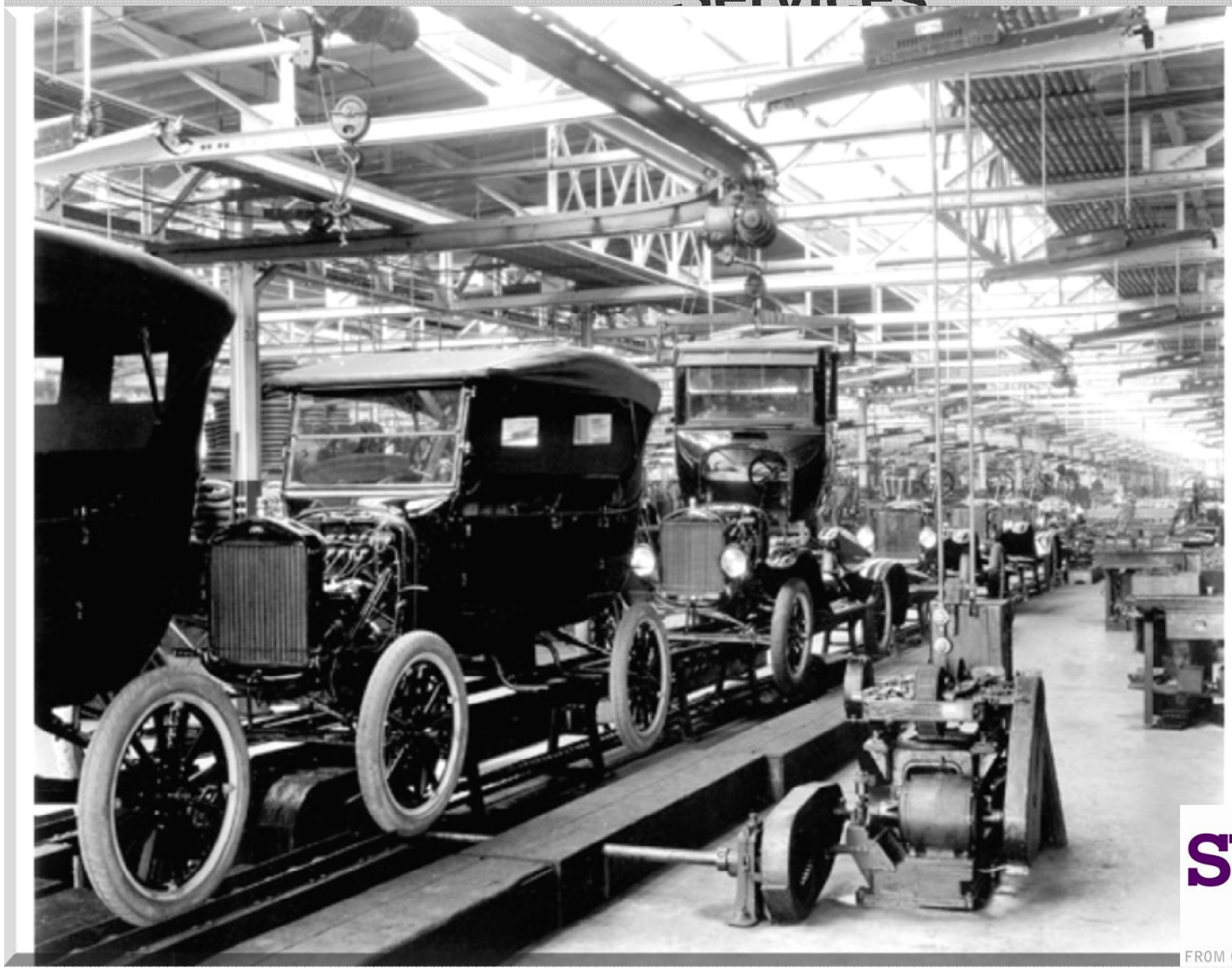
FROM GOOD PUBLIC SERVICE TO GREAT SOCIAL BUSINESS

They cannot count on being bailed out by the Big Machine

stepping OUT

FROM GOOD PUBLIC SERVICE TO GREAT SOCIAL BUSINESS

They HAVE to respond to the market – move from `One Size Fits All' to `Personalised Services'



stepping out

FROM GOOD PUBLIC SERVICE TO GREAT SOCIAL BUSINESS

Indeed they have to get to grips, for survival reasons, with‘personalized services’ for all people

stepping OUT

FROM GOOD PUBLIC SERVICE TO GREAT SOCIAL BUSINESS

Therefore spin-outs have an incentive to aim for radical innovation

stepping out

FROM GOOD PUBLIC SERVICE TO GREAT SOCIAL BUSINESS

And Incremental Innovation too

stepping OUT

FROM GOOD PUBLIC SERVICE TO GREAT SOCIAL BUSINESS

There are built-in, survival reasons for modernisation of the organisation

stepping out

FROM GOOD PUBLIC SERVICE TO GREAT SOCIAL BUSINESS

But most important – its in their Hands

My Main Messages Today

- Spin-outs are not an easy option
- They cost money to set up
- They save money fairly quickly but not as quickly as cutting services
- They need strong leaders & external support
- Talent gaps on financial and commercial side
- Spin-outs represent a viable future for many public services
- Evidence is that they innovate well, lower costs and engage staff & communities
- They present a good 'third way' between privatization and in-house
- Spin-outs need to be thrust into a real market if benefits are to accrue

But they need some early protection if they are to compete

stepping OUT

FROM GOOD PUBLIC SERVICE TO GREAT SOCIAL BUSINESS

stepping out

“Helping public sector services to step out into social enterprise or mutuals safely, on time and ready to succeed”

DO FEEL FREE TO GET IN TOUCH 0845 474 6005
Or email craig@stepping-out.biz

stepping OUT

FROM GOOD PUBLIC SERVICE TO GREAT SOCIAL BUSINESS