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The future for the third sector post election

31 May 2010 | By Mark Johnson

Mark Johnson assesses the post-election landscape for third sector and social enterprises delivering more health and social care services.

Could social enterprise and the “inside out” transformation of the health service be on the cards now?

What do we know? Well, the Conservative Party’s Big Society theme involves reinvigorating community action and civil society, carrying a promise to put the third sector, charities and social enterprise at the heart of public service delivery. The Liberal Democrats believe in putting power in the hands of those able to deliver at a local level and Labour see social enterprise as having a central role in public service delivery.



THE FUTURE FOR THE THIRD SECTOR POST ELECTION

So much common ground should herald a positive response to demands for more personalised and tailored services. We could be entering an era where some interesting new models for providing health and social care services emerge. There are likely to be new opportunities for employee-owned mutuals, charities and not for profits in a more diverse market of service providers.

In 2008 Lord Darzi promised frontline health staff the “right to request” to set up a social enterprise. These organisations were supposed to be the ‘disruptive innovators’ who would reform the system from within. Progress in building scale from these models has been slow. However, the concept could now be reinvigorated and extended in health and indeed across all public services, entailing a significant ramping up of activity.

The attraction for these managers and service users is exercising more control over their own destinies and shaping the direction of their services. Often the services may be seen as “non-core” to the public sector host and, by gaining a degree of independence, access to new funding streams and selling their services into wider markets, they could achieve a more sustainable future. However, for such service innovation to gain momentum and succeed on a viable scale, some practical challenges and obstacles must be addressed.

Our research shows there are three main problems. Firstly, there are often powerful vested interests in senior management who simply do not want large swathes of their service empire to disappear. Yet, currently, senior management support must be secured to allow services to float off. Tactics as basic as stopping the items from ever reaching PCT board agendas can halt progress. In one case our client endured a disciplinary hearing for daring to go behind the board’s back. Without a powerful independent champion it may be difficult to gain momentum.

Secondly, there is a shortage of early-stage working capital to support the fledgling enterprises in this start-up phase. However, once a contract has been secured, lenders will be keen to support enterprises with often very significant turnover.

Thirdly, the contract commissioning and tendering process is too cumbersome. Tender documents and contracts are often not fit for purpose and try to load too much risk onto fledgling providers. Outside providers find it difficult to compete on a level playing field.

No one should underestimate the hard slog the disruptive innovators will endure to launch their new enterprises. It is a roller coaster for some – navigating the bureaucracy to gain approval to spin out; persuading the staff to make the jump – in the face of union opposition on pension rights, which is often spun unfavourably. It will require nerves of steel and a strong determination to succeed.

Source: Mark Johnson is managing director of specialist public services law firm TPP Law