



**Transcript of EURIM Transformational Government Political Dialogues
Session 2: Mixed Economy
Thursday 22nd November, Wilson Room, Portcullis House**

Chair: Margaret Moran MP

Panel: Chris Mole MP, Lord Errol, Derek Wyatt MP, Mark Todd MP, Phyllis Starkey MP, John Pugh MP, Philip Dunne MP.

Witnesses: Ann Blackmore – Head of Policy, National Council for Voluntary Organisations
Jonathan Bland – Chief Executive, Social Enterprise Coalition
Stephen Sears – Chief Executive, ECT (Social Enterprise)
George Thomson – General Secretary, National Federation of Subpostmasters
Dave Smith – Deputy Chief Executive of Sunderland City Council
Andrew Seekings – Head of Programme and Project Office, Sunderland City Council
Jackie Nixon – Community Development Practitioner, Sunderland

Rapporteur: Dan Mount (EURIM / Office of Margaret Moran MP)

Apologies: Alun Michael MP, Lord Kirkwood,

Meeting Transcript:

Margaret Moran MP: Can I say thank you to all of you for coming today. I would like to mention that though this is a Select Committee-style enquiry this is not an actual Select Committee. One of the reasons that EURIM decided to conduct this exercise is because the issues surrounding Transformational Government are cross-cutting, and do not therefore fall easily within the remit of any one Select Committee. I would also like to remind you that this session is being recorded.

The real purpose today is to try and produce a report which gives a genuine citizen focus and insight into Transformational Government. A lot of other reports reference this, but we want to get to the reality of how this can be achieved. Therefore any practical suggestions you can provide will be most useful. As you will know, this particular session is looking at the Mixed Economy. What we are trying to do is look at practical ways and examples so that we can bring together a range of policy strands, some of which are referred to in Transformational Government documents, about having a diversity of public service delivery...etc, and try and see how this can be made a reality – as opposed to merely referring to what is written in policy documents.

Can I start by referring to the point I made right at the outset – in Transformational Government paperwork, there are references to the need to ensure that we have a Mixed Economy of delivery and appropriate delivery mechanisms, and that Government needs to incorporate that in its thinking about how we can genuinely transform Government and make its services citizen centred. Can I ask each of you to give me your thoughts as to whether this is happening - and if not, why?

Stephen Sears: I don't think services are really being transformed because I don't think that a mixed economy is being created. I think that the way that procurement processes take place mitigate against the involvement of smaller and more innovative organisations.

Ann Blackmore: I would probably take things back a step, and say that just by assuming that by getting a mixed economy and looking at the market model you achieve transformation is looking at things the wrong way round. It's actually about looking back at how you define the service needs, what users want and how you design solutions – and then decide who is best placed to deliver. I think by that approach you may arrive at a mixed economy – but I wouldn't say that we should start with the assumption that we must create one.

George Thomson: I think that regardless of what we've said up to now – government departments have always worked in silos, and seem to continue to do so regardless of whether it is under the Conservatives or Labour. A perfect example when it comes to the Post Office, joined up government and working in silos, is the Post Office current account Mark 2 which goes out to tender very soon – which is £100 million per year for the Post Office. The Post Office also gets a subsidy of £150 million from the DTI – and if the DWP awarded that to another company then in theory the government will have paid for the same service twice because it would have to double the subsidy. So that is a perfect example of departments in government working in silos, and not having joined up government.

Jonathan Bland: I think that there is a lot of rhetoric about opening up markets and having new ways of doing things – but I think the reality is still a long way away from being able to make that happen. I think there are some areas where there are already markets, clearly in local government – and there, there is a tendency towards conventional business models and increasing scaling up and bundling of contracts so you are actually reducing the supplier base. I think in some other areas where there is talk about looking for new providers we are a long way from that happening. I think it is a reflection of the very narrow way that we look at business and enterprise as just really having one model around private share value building companies, rather than looking at the range of different models which we have within the social enterprise movement.

Dave Smith: The reality is that we've always had a mixed market. The real question is how well we plan, develop and sustain those markets in a cohesive way to meet the cross-section of need which we have in local areas. The key to that from my perspective is ensuring that the cohesiveness of the supply market is as important to us as the competitive issues – and that we balance those two to best address the needs which exist within our communities.

Margaret Moran: When government bodies are deciding that they should be the primary service provider versus just being a facilitator of outcomes – how can we achieve better contestability and how can that decision be monitored for objectivity? Are there any lessons from the shared services delivery project?

Dave Smith: Yes, there are significant lessons from the shared services issue. The principal starting point from our perspective is about understanding not just the community's needs as expressed by that community, but also the community's view on how those needs can best be addressed. Understanding those is not just important from the organisation's point of view in terms of delivery – but also in terms of ensuring that these communities have an interest in

and embrace the solutions that are then brought forward. Whilst this may not be the quickest way to arrive at the solutions, it is in fact the most sustainable way in terms of providing a solution which holds with a community over time. Perhaps the Chair would like to ask Jackie as a community representative just to say from her perspective how that feels when we try to engage in those discussions.

Jackie Nixon: I was involved in the Digital Challenge bid. I worked for a forum at the grassroots with local people. We organised a consultation to consult on what services could be achieved with digital enhancement. I worked closely with this team – went into the community, consulted them and they went back, came up with the ideas from the community, and brought it back to the community. The one thing which stuck out is that when they came back with what they had got from the community, you actually see it rolled through the bid, that it was what the community wanted. We also fed back to them, and I think that it is really important to feed back to them on what you consulted them about. That is one of the reasons why I think we won Digital Challenge in Sunderland.

Margaret Moran: I should say that whenever we get practical examples like that – that is great for us. Perhaps two other witnesses who aren't involved in local government would like to pick up on that question? Perhaps you could also tell me from your perspective, whether public sector bodies are seeking to develop the right service links with third sector or mixed economy providers? Is there any evidence that these are being monitored and integrated with consistency?

Stephen Sears: I think in the markets we're involved in, which are principally recycling and waste management, it's all about price frankly. There is a lot of talk about policy and about involving social enterprises – but really it's about traditional solutions to traditional problems. I think that what really needs to happen at local authority level is that they need to truly embrace the principles of best value – rather than simply keeping things in house, either because they can, or alternatively effectively sticking with a compulsory competitive tendering model. I feel that the tenders that we are responding to are usually unduly prescriptive. I feel that what they ought to be looking for are solutions to problems rather than defining precisely what the services should consist of.

Chris Mole: Surely there have been some moves on that front. If you look at construction solutions, steps have been taking away from the straight forward tendering approach.

Stephen Sears: Construction is not something I have much experience in.

Ann Blackmore: I think that is actually a good example though. For us there is a very different approach to tendering with third sector organisations than with the private sector. This is because our organisations tend to be a lot smaller and therefore less powerful when it comes to negotiating. Construction firms have a lot more clout in negotiation.

Chris Mole: I wanted to pick up on that sort of issue with what Jonathan was saying. I have an issue in my area with small voluntary sector organisations and the approach the Supporting People programme is taking to tendering. Two neighbouring county areas have aggregated into large contract blocks of the sort you were describing. The smaller VTO's in my area are quite concerned that that is coming their way at some point. At the same time I can equally understand that there is a cost overhead to repeatedly negotiating with a multitude of smaller organisations – and then contract oversight and monitoring, which of course VTO's don't like too much of anyway. How does the public sector get the balance in that right?

Jonathan Bland: From a social enterprise perspective, there would be a range of different organisations doing things – but our members would be the ones in the market. Here I think

there are a number of issues. One is, if you like, the Gershon effect. I think that the way that Gershon has been interpreted isn't always what he meant in the first place. For me I think it is an idea of more intelligent commissioning. So for example, absolutely it makes sense to bundle everything up if you are trying to fight with the power of Microsoft and get a decent deal when you are buying software for the government. That is very different to trying to tackle and deal with some very local issues, where often the solutions need to be locally focussed, based on knowledge and local connections which can do that.

So if you look at the employment process for example, it is very easy to have some very big contracts which you can mete out to get people who are not that far from the labour market back into work. But similarly, with people who have the most difficult problems, the solutions need to be a lot more local. You need to have a much more tailored, customer focussed approach. You need to be able to do that in a more intelligent way. So you need to be able to segment things – so sometimes, yes, go for the economies of scale – but the tendency is that everything is going like that at the moment. I suspect even more so with the move towards only looking at cashable savings and the pressure that gives for the public bodies involved.

The other thing I wanted to respond to is about the need for joined-up-ness in the way that services are commissioned and procured in the overall policies of the public body concerned. In most cases, very often this is not the case. There is a silo mentality where people are just thinking about buying something in a very narrow way, looking at the price of the thing and not really taking in the whole value scenario. There have been some excellent examples where there has been some real political leadership at a local level (across a wide variety of political persuasions) where local authorities have said, we will combine doing some of our recycling with things in our community plan, and joining those two things together and actually design the procurement in a way that facilitates that rather than excludes it.

Derek Wyatt: George [Thomson] – I was interested in your comment that it doesn't really matter who's in government – the silo mentality is always maintained. So, in a sense, you are really saying – why bother? So, what could be done? Is it a cultural thing in the way that civil servants are trained? Is it the ministerial system? What makes it so difficult to change government?

George Thomson: The point I was making quite clearly was that it isn't just the latest government who have acted in this way over the years – it is previous governments as well. Obviously, I think we can change the situation – that is why I am here today. The problem is that government departments have budgets and saving targets, but I don't think that they are particularly encouraged to take a holistic approach to what has happened – and they made decisions which I think are wrong. One of the things we touched on just a minute ago was that decisions are all about costs rather than overall value.

A good example of this is the BBC licence contract – when it was with the Post Office, then when a blind person or a pensioner wanted to purchase a licence, they could actually come to a Post Office and we had the mechanism and the training to give that to them over the counter. When that contract was re-awarded to Paypoint, these two facilities were taken away. Customers then had to go direct to the BBC licence centre in Bristol. So this decision procured an inferior product which took no account of the real value to the public or the customer. However, it did reduce cost – which shows why this is an example of government not being joined up. Money became everything and the actual value of the contract and what it delivered to the general public was actually ignored to a large extent.

Andrew Seekings: I think our approach in Sunderland has always been about trying to understand 'the what' from a range of inputs and a range of customer insight that we have – and therefore work together at delivering 'the what' and understanding our residents' and

community needs before we start to look at 'the how'. I think that for me, working in this local authority, is a really positive approach. Let me give you two examples. About seven years ago we were looking at how we were delivering our domiciliary and home care services. One of the things we wanted to get out of this was a better service, at least at the same price, but we also wanted to look into how we could employ local people. So instead of going off on our own we started on a journey with our social enterprise sector to look at how we could build their capacity to deliver those types of services and skills to local communities, delivered by local people. We haven't always taken that approach, but we felt that, with our partners that this was the right approach for that particular issue.

We have taken a very similar approach around youth services – we took on a review of youth services about four years ago. We went out and consulted with a range of our partners about how we should deliver youth services. In this case we have gone very much for a commissioning model where local groups deliver youth services. We try to play more of a quality assurance role and do some of the things that some of those quite small groups actually don't have the skills, and probably don't want to have the skills, to do around health and safety policies.

We work with them to provide that extra support so they can go ahead and deliver the services, as described by our young people and residents. We try and take an approach which is about understanding what the issues are, what the problem is – and we get to that. Then we start at 'the how'. What I see sometimes, both in other parts of local government and particularly in central government, is that they've got 'a how' – and it's just about tinkering with 'the how'.

Derek Wyatt: One of the frustrations that the previous Prime Minister had was that he was uncomfortable with the civil service and the departments and so instead of allowing it to stay out there he brought it inside – and therefore we [as Parliamentarians] didn't have access to what was going on. And then we created bigger ministries and they got worse. Because we were trying to reduce the ministries by having bigger ministries, now we're back to where we were 10-15 years ago. Is there another model? That's what I'm struggling with.

Presumably this is the same all round the world, government is in silos. So should the Cabinet Office be the chief executive's office? In other words, should everything have to go through one system in Whitehall, so that you could not commission without the centre knowing – and everyone else knowing – that is how the decisions were made. We've lost £70 billion in IT projects since 1997. That pays for a lot of schools and a lot of sports, and it seems to me that these things keep on happening; every other year there is another disaster, so nothing changes.

George Thomson: I think it's fair to say that when it comes to IT projects, the private sector does seem to deliver on time far better than the government. That I think is a fact. Going back to where I was, I really do think that the government have got to make sure that they have more joined up delivery. I understand the difficulty as it could result in more centralisation whereas if one department takes a measure that has an impact on another department then it makes more sense.

I refer to the example I made before. If the Post Office Current Account, Mark 2 - which is out for tender this week and will be announced in mid-summer next year – was to be removed from the Post Office, the Post Office would lose £100 million pounds a year. Given that we already have a subsidy from DBERR of £150 million, we could be in the ludicrous situation where the government awards the contract to another company, but to keep the network afloat – even after the closures – the government would have to put £100 million from DBERR as a subsidy. So in effect, for the same thing they would be paying twice. In all honesty you couldn't make that up – but that is a strong possibility of what could happen.

I'm saying it's time to get out of the silo mentality, it's time to take a holistic approach to things. It's not easy because it can lead to over-centralisation, but nobody's got a magic wand to deal with that particular thing – over-centralisation happens a lot and I have not got a particular solution to it.

Phyllis Starkey: Can I just pursue this point a bit? I think it is a popular prejudice that the private sector is a whiz with IT. I think the point is that if you are a commercial organisation and you mess it up, you don't tell anybody – which is not an option for the government. I also wanted to explore this issue of silo working. In local government, for example, exactly the same criticism is also made.

In one area there is some movement on this, which is cooperation in many areas between councils and their local Primary Care Trust. This takes place to some degree in pooling budgets in relation, for example, to care for older people where each of the organisations have responsibilities but it is recognised that if they act separately they can make life very difficult for the other partner by shuffling old people off from one to the other, and that if they work together they might (a) provide a better service, and (b) use the same amount of public money to rather greater effect. So that is an example of how you retain two separate organisations, you retain the individual and separate responsibilities of social services and the NHS – and yet you have a pooling of resources and in some cases a pooling of appointments of individuals.

I was wondering whether that is the sort of model which could be pursued. Also I was thinking of the issue where you have performance indicators or PSA targets which are cross-cutting – so the individual department has its own PSAs to deliver, but it also has its contribution to cross-cutting PSAs to consider as well. I'm not sure whether it would avoid the example of Mr Thomson, but I think it will avoid quite a lot of others, and encourage departments to take responsibility for their own programme, but also how it impacts on other departments. I would be interested in your comments.

Ann Blackmore: One of the big areas impacted by the silo mentality is in preventative work so that the focus is on short term budgets and targets – and the fact that the work that you do costs the budget of social service, but is of long term benefit to the health budget, isn't addressed. I'm not sure that the way local area agreements are developed yet will address that. That is where it needs to move. Is one bit of an organisation with autonomy prepared to invest in a service that won't score them anything in terms of their performance measures and against their budget – but will add value across the public sector as a whole? I know LAAs are a way forward, but we haven't seen it operating in a way yet that allows us to know whether people are genuinely ready to give up their control and pool resources properly.

Mark Todd: Isn't this mainly about the culture of the organisations that you have to deal with? (I'm separating for the moment the Sunderland public sector experience here.) - the culture, the skills of the people who are employed in it and the targets they are set, as Phyllis has said, and the reward systems that are there to recognise their achievement on a lot of those targets, and the management data they are given which is normally very tightly tied to the targets which they are given which are within their own compass.

We're in an incremental process here of talking the talk about changing all of these things, but we have a large mass of people in the public sector who have been deeply immured in the principles of how they have operated for a large part of their careers, and it's not going to change rapidly. One of the examples I look for is exchange of personnel, people who have actually moved into the public sector and have brought some of the skills – for example like the Sunderland experience demonstrates – of putting the customer first. Trying to understand what the customer or the user really wants before you try to define either the service, or

exactly how you are going to deliver it. Do you have any examples of people who have shifted across those boundaries and have started to build those understandings better?

Dave Smith: There are examples that we've got of people working across organisations, either shifting full time, being joint-appointments and also secondments. They are usually about crossing cultural divides, helping organisations understand each others imperatives and looking for the convergence about issues. For example, with our 101 service, we are one of the 8 pilots from the first wave and we are the only one that's regionally based – so we have a fully integrated front office shared service arrangement with all the local authorities in the North East and the police.

We achieved that against a whole range of cultural, practical and priority differences between those organisations. The way we achieved it was that we appointed a team to deliver this that was from a number of the local authorities involved, but working inside the police who were the lead agency for 101. So they brought practical experience and different understandings of cultural and priority issues together within the lead agency – so the police could understand the local authorities better and the local authorities had a better understanding of the police.

Mark Todd: Can I pick an example? Crime and Disorder partnerships, which happen to work very well in my area, but I am told by other people don't work very well in theirs, are a very good example of what you are talking about. They are an institution formed out of an alliance between a variety of public sector bodies and in my particular case voluntary sector bodies as well.

Are there learning examples that we should share amongst each other to say 'well that worked really well' and determine the reason why? In my experience the reason why is normally very individual - people and the attitudes they have brought to the task. Is that your experience? There isn't necessarily an organisational model that people can say 'this should work' – it's about finding the right attitudes of mind, capabilities and leadership skills which are absolutely central to doing this.

Stephen Sears: I think you're right about that. I'll try and give you a practical example. We've just recently secured a recycling and refuse contract in Somerset (five districts and the county) of the Somerset waste partnership. Previously we ran the recycling contract in four out of the five districts – and the specification for the new integrated contract was drawn up largely on the learning that we had collectively and collaboratively put together over the last four years. As a result the county has the lowest level of residual waste per household in the country.

So that is an example where there was no real exchange of personnel, which I'm sure is a useful mechanism, it was simply a question of people being prepared to share information with each other – notwithstanding the fact that we had to take a risk on the contestability of the contract when it came up for re-letting. But that worked really well, and I do think it is a willingness to share information which works and to be open to alternative ideas. Rather than the procurement officer saying 'the leader has decided' or 'the chief executive thinks X' they are actually prepared to enter into a dialogue.

Mark Todd: Just one more question. You mentioned information – do organisations actually collect information in a format which allows one to build the sort of information that is required to specify these sorts of services? Because you need more than one dimension on this – you need a variety of different sources on criminal activity, social data, economic statistics, service delivery from a variety of different agencies – all of those elements, to produce a pack of information which allows one to measure whether you are making any

progress and meeting the needs of users. Are organisations able to provide that kind of data infrastructure?

Dave Smith: Yes – but it's patchy. It's fair to say that the information is being collected, but bringing it together in coherent form against which you can make intelligent decisions is not always the easiest things to achieve. This is usually because there is a huge impetus around a particular driver. For example, if we've set off to create a shared service centre because the needs are there, the evaluation of how we should do that, and the evaluation of the benefits that it will achieve, has to be put in place as part of the project, or otherwise we don't bring it together. So it's there but it's manipulating and using it effectively that is the challenge for us.

Mark Todd: So specifying the data is particularly important?

Dave Smith: Yes.

Derek Wyatt: Nicholas Ridley when he was secretary of state at the DTI wrote a piece in the spectator saying that he thought more or less that local authorities should be like Channel 4 – that they owned the authority but actually they held no staff. He was fired for that comment. You Stephen said that it is a mixed economy. So if I was a full time worker inside a local authority I would always be somewhat apprehensive about the mixed economy because I would be thinking 'my job's on the line' and 'is my pension going to stay where it is'.

So, yet I'm a trustee of two not for profits and we're screaming to get more work from local authorities. (a) we do it more professionally, (b) we do it at a better price, and (c) we have a better pension scheme. I'm interested in the mixed economy thing, but do you think there is a dilemma here where we talk about the cultural side, that people who have worked for a Local Authority for 20-30 years will find any sort of change uncomfortable?

Stephen Sears: I certainly think they do. Although, I think there is plenty of anecdotal evidence to suggest that leaving the comfort zone as it were of direct employment of a local authority – or any public sector organisation – and moving into the world of social enterprise is actually a profoundly liberating and fulfilling experience.

We're talking about mixed economy here, but I think that we've got the right answer in terms of the way to deliver services. I want to see more social enterprises delivering them – in fact if local government was entirely delivered by social enterprise I would think that would be an entirely good thing. Your comment from the point of view of the worker or the employee of the local authority – that's one of the problems surely with public sector service provision – it's producer-focused rather than customer-focused.

Jonathan Bland: I'm not sure if what we have is anecdotal and that is one of the problems we have around social enterprises in terms of the whole evidence base. We are working with the Economic and Social Research Council to try and get a programme of research together specifically on social enterprise delivering some of these issues, as well as the impact of the models which work best. But certainly some of the evidence that we do have shows that it can be a very attractive thing for employees in social enterprises – it can unleash the entrepreneurial spirit and combine it with a public service ethos.

This is quite a hard thing to do when you are in a bureaucratic public body. We've seen that in some of the leisure trusts – for example Greenwich Leisure and the way they have been able to grow and diversify services and make profits. Indeed staff are incentivised to help the business make profits which then go back into providing better services. In fact we had a YouGov poll that was carried out last week where over 60% of the respondents said they would prefer their local services to be delivered by a social enterprise reinvesting their profits

back into the community – over and above a public institution, a private company or a traditional charity. So we were positively surprised at the level of interest there.

The other thing in terms of the experience - there are some really good examples up in Sunderland! - some of the home care associates where the model is were actually able to empower people who were very often quite low paid and in job areas with very high staff turnover and levels of absenteeism. That then reflects on the quality of care for the user – if someone is coming in to wash you and dress you and do things which are very intimate with you, you want a proper relationship with that person and you don't want someone different every day and every week.

Similarly, Sandwell Community Caring Trust were part of the local authority and then moved out about 15 years ago. At that time there were 22 days per member of staff sickness per year. There is now less than one and they have now come out as a Times top 100 company to work for – and people actually want to work there as they feel more secure than in the local authority or than in private business.

Margaret Moran: Could I just say it would be very helpful if we could have a copy of that poll – and indeed to everybody, there are some really good examples coming out here so if you have any that you haven't fed in to us could you let us have them because they are very valuable.

John Pugh: I am surprised that any respondents to the YouGov poll knew what a social enterprise was! I Googled it quite recently and came up with a variety of different definitions. My question is really to Ann and Jonathan – one represents voluntary organisations and the other represents social enterprises.

I have a little Venn diagram drawn here of social enterprises and voluntary organisations, and I suspect that some voluntary organisations are social enterprises, and some are not – but they are not the same thing are they? And what would a voluntary organisation which is a social enterprise need to look like? That said bearing in mind that there are lots of voluntary organisations these days - and actually very few volunteers.

Ann Blackmore: Actually lots of voluntary organisations have huge numbers of volunteers. The Samaritans depends upon it.

John Pugh: But you don't need volunteers to be a voluntary organisation.

Ann Blackmore: By and large you need a voluntary trustee board – at your governance level, at the top of the organisation if nothing else.

John Pugh: But can you clarify for me – what is the difference between a voluntary organisation and a social enterprise.

Ann Blackmore: We would describe the sector as a very broad spectrum which goes from at one end self-help community advocacy groups through to campaigning groups, what Jonathan calls traditional charities, to organisations which are very entrepreneurial in their approach. There is a very broad spectrum – and Stephen is a member of both our organisations which is probably part of the answer.

John Pugh: But there are some social enterprises which are not voluntary organisations. What do they look like?

Jonathan Bland: The definition of social enterprise, put simply, it's a business which is trading in the market for a social and/or environmental purpose. The government has a

slightly longer definition. It can have shareholders but the idea isn't to build shareholder value. We don't have one legal definition or one legal structure for social enterprise in this country – we have a whole variety of models.

For example the Big Issue, which many of you will have heard of, is a company limited by shares, as is CafeDirect, the fair trade coffee company. We also have societies for the benefit of the community which use legislation going back over 200 years under the Industrial and Provident Societies Act. A number of the leisure trusts and at the top level Stephen's group is a society for the benefit of the community. Greenwich Leisure follows that model as well. There will be some social enterprises which are companies which are limited by guarantee.

Now for the last two years there are an increasing number of community interest companies which are companies either limited by shares or by guarantee which have an extra level of regulation which goes with them in that they need to pass community interest tests. They can have shareholders and return the dividends to shareholders as cash. So it is quite a complicated setup.

John Pugh: A very heterogeneous mix. The reason why I asked this is that the people who deliver my local [out-of-hours](#) service describe themselves as a social enterprise and when I described them as a private company they were very annoyed indeed. But they have certain peculiarities that the PCT don't have with regard to examining the service that they deliver.

When I tried to find out about how the PCT organises its affairs it is a matter of public transparency. When I try and find out how they organise their affairs and they are 'not the PCT' they are a social enterprise – they can claim commercial confidentiality. Is there not an issue with regard to social enterprises or voluntary organisations delivering public service with regard to accountability?

It doesn't apply obviously if what the social enterprise is doing is simply adding value to the process – doing something that the local authority otherwise wouldn't do. But if they are delivering a service which the public feel they are entitled to – and is wholly publicly funded by and large – is there not an issue for voluntary organisations and/or social enterprises with regard to the kind of accountability that public services do naturally have and which the citizen can ask for?

Jonathan Bland: I think that is a question about what are the accountability mechanisms for the provider of any service. I don't think it is just to do with social enterprise.

John Pugh: There are certain rights the citizen has with regard to their local authority. The budget is published, you can go to the library and get it, you can analyse it, you can put down questions to area committees or your local council. You can't do that if, for example, your out-of-hours service is UC24 in Liverpool. I don't have the same kind of right to that information – they don't have AGMs.

Jonathan Bland: But at the end of the day the people who are responsible for providing that out-of-hours service is the Primary Care Trust. In the same way that my waste is collected by a private company, if we have an outbreak of some disease because things haven't been collected properly then it is down to the local authority to take responsibility for that.

John Pugh: So you are suggesting that it is as transparent – or transparent in a different way?

Jonathan Bland: I think it is about how you set the levels of accountability for the provider who is ultimately responsible for that service. In a mixed market when you have a different

set of providers, they are the people who are responsible for how that is. As it is, the majority of social enterprises are very transparent in the way that they work. According to the different legal form you adopt, for example with a community interest company, people have to file reports on what they are doing. So depending on the nature of the service and the need for particular types of accountability which can be different according to the service you are talking about – you can take a measured approach to the mechanisms that you need.

John Pugh: But you would accept I think that when you start delivering public services – as opposed to doing something which is genuinely voluntary effort, which is not required by the local government or the citizens – the criteria for transparency actually go up for you and other voluntary organisations.

Jonathan Bland: And surely for SERCO or Capita as well? I wouldn't benchmark social enterprise just with voluntary organisations, I would benchmark it with what is happening with the private sector.

Stephen Sears: I was just going to say – we are accountable for the services which we provide through the contracts that we have secured. In that sense we are no different from a commercial competitor.

Chris Mole: Following on from that, to what extent is the public sector effective at setting those contracts and monitoring performance by the voluntary sector in particular? You get a lot of complaints from the voluntary sector that they are overly micromanaged and need to report back excessively on what they are delivering – and yet, we want to be certain that the contract is delivering in return for what the public purse is putting into it.

Ann Blackmore: Of course we need to be accountable for what we do and we have to be accountable for spending public money. The problem is proportionality. The National Audit Office looked at public sector contracts going to the voluntary sector in 2005 and one of the big issues it brought up was this lack of proportionality. That you get the same contract to specify the services and the same monitoring and audit processes for a contract for £20,000 as you do for £2 million – and that is clearly disproportionate and putting on an unnecessary burden.

There is also a tendency still in the public sector to manage what you can see and what you can count, rather than the outcomes. I think we need the flexibility to focus on where we want to get to and the outcome we want – not just the processes. If you specify exactly the same service that you've already got and specify you want it delivered in exactly the same way on exactly the same day – don't be surprised if it looks like exactly the same service at the end of the process.

Chris Mole: So, who's got any ideas on what we need to do to change that?

Jonathan Bland: I think one of the things which tends to happen with the very traditional approach is that people are just looking at a price for a commodity or service, if you like – rather than looking at value and, going back to the point about trying to join things up, what you can really get from different ways of delivering the service. And where very often social enterprise comes in is the innovation in the way that they can empower and connect things – and actually redesign the way that the service is delivered on the ground.

And I think the problem is how you move to, as I referred to earlier, intelligent commissioning. There are a lot of very big employment contracts which are monitored and contract payments approved on a 'tick box' system because there are enough people that have gone through – but there are still a lot of people dropping out the bottom. They drop out because they go to prison, because they die, or because there are serious problems. It is about how to build in

monitoring which can pick up what you are actually trying to do. That requires a different kind of specification from the present.

Jackie Nixon: I just wanted to say that in Sunderland what we do is build up a trust between statutory services and the community sector. It's not about "who is going to do the work" – it's about us all working together to achieve the same thing – and that is why it works. We were talking about crime and disorder – the Safer Sunderland partnership has just had a three day session to develop the strategy for the next 15 years – and that has involved it with the community, and then people who are the people there go back into the community and feed that back into the community, so that when that strategy has been written local people can see that they have actually been involved in that strategy. I think that the trust is really important.

Philip Dunne: I find this very interesting, not least because it relates to one of my constituency issues. We have one of our community hospitals which the NHS were threatening to close - effectively for a process of under-slicing and cuts. They have now agreed to put it forward as a pioneer for a decision in January as to whether it becomes a social enterprise run community hospital – one of four, I think, in the country.

The issue that is in my mind at the moment, following on to John [Pugh's] point about accountability and governance, is what happens if something fails? Clearly if you've got a contract to deliver waste services into an authority and at the end of that contract period, you may lose it – that is a sanction. If you're talking about providing a service such as medical services where the NHS PCT is the commissioner, but the entity that is actually providing it will contract with GPs and the NHS to provide the services, can you from your experiences shed any light on what happens to ensure proper accountability through this system?

Jonathan Bland: With the Leisure Trusts, where they were externalised out of local authorities, some were failures. Some of those were private sector failures, many of those got taken over by other trusts and expanded. So if you look at Greenwich Leisure now, it doesn't just run services in Greenwich, it runs them in London and really anywhere inside the M25. There are other examples of where you will have failure in a market sense and that's about the mechanisms that you put in place to remedy that failure by other people taking over the service.

I personally think, and you see it with schools more than anywhere else, we allow a kind of cultural failure to exist without doing anything to challenge it and without sometimes closing things down which literally do need to be closed down and to be run by somebody else.

Stephen Sears: I think that the PCT example is quite a good one because in the event that a surgery is failing or if doctors can't be found to provide a service, then the PCT will intervene and set one up directly – and then, certainly in my experience – subsequently try to put that back into the market and see if some independent organisation or partnership can provide those services. So I think irrespective of precisely what the arrangements are, if there is a flow of funds to provide a service then there is accountability, because if the service isn't delivered then the commissioning organisation will intervene.

Phyllis Starkey: Can I just pick up on that one? If we use a different analogy which would be education, if for example, where for one reason or another there turn out not to be enough school places – anywhere – not just in the schools that people want to go to, just not in any schools – for example during a huge economic upturn where lots of extra people move into an area.

Although the local authority has a statutory responsibility to provide education, it is in a bit of quandary as to how to do it, if it actually hasn't got any spare capacity in any of its schools.

So I'm not sure that your model – that if you've got the statutory authority then it's a nice failsafe way of doing things – if the statutory authority has not itself got any capacity to deliver the service any more, it won't be able to step into the breach – at least, not quickly.

Stephen Sears: No, I don't think I meant step in and run it itself, but step in to commission the service from somebody else.

Phyllis Starkey: But what if there isn't anybody out there – I mean, what if there isn't a handy school sitting around empty waiting to plug the gap?

Stephen Sears: Something like that takes time to mobilise. A good example of precisely that was in the news recently in Lambeth where a group of parents had set a school up because there was a shortage of spaces. Obviously it took them time to do that, but any service takes time to mobilise.

Margaret Moran: Thank you – can I just pick up on a comment that Jackie made about focussing on the outcomes? I think that theme has come through several times during this discussion – have we got any examples where we've seen a multi-agency or a diverse partnership or delivery approach which has successfully focussed on those outcomes and delivered those outcomes?

Dave Smith: I can give you one or two examples. One that strikes me immediately is that we have a wellness programme which is delivered through our front office shared services which involves principally ourselves, the health service, the housing group and the community and voluntary sector. Those programmes are delivering both generic available leisure facilities to all the population, but they are also targeted to particular groups where we have high incidences of coronary heart disease, obesity and one or two other areas where we introduced specific referral regimes – either through social care or health for those programmes which are managed jointly between health and leisure services. This has seen a reduction in key areas of our health targets around those chronic long term diseases. We've seen the benefits of that coming through in terms of that programme.

Mark Todd: Can I go back to something that Chris was touching on which was capability, contract management and specification of services. First you need a skill set of defining who the users and the customers actually are and what they want. Then you have a skill of working out all the various alternative models of delivery to meet that particular need. And ensuring that whatever the specification was you have the opportunity to look at different ways of doing it. Then you have to have a framework for examining its performance and monitoring this and providing appropriate relationships to the contractor – whoever that may be. Are these capabilities important?

Ann Blackmore: The government has recognised that these capabilities don't exist because they are investing in training 2000 commissioners across the public sector precisely because what has come out a lot of the surveys in this area is that these skills are not highly prevalent. We've moved into an environment where people in the public sector aren't actually skilled in doing that.

Mark Todd: Are you happy with that programme? Do you think it is packaged in the right way delivering the right sort of potential capabilities?

Ann Blackmore: Well again, it is in its very early stages. 2000 people is 300 local authorities, how many PCTs, how many government departments. It's a good start and I think the element that is missing from it, potentially, is actually only focussing it on people in the public sector. I think that we need to get people from both sides. If you put people from the voluntary/community sector and social enterprises and give them the opportunity to be

part of that training too – you really develop when you can actually listen to somebody from the other side and understand where they are coming from. I think that would have been a benefit through the training.

Mark Todd: The other part, and I wonder whether it is in there, is the process of pre-commissioning, understanding with potential contractors, which is something that doesn't come naturally to a lot of people. Right, we are going to send out a 'tender donkey' but we're not going to talk to them beforehand about what is going to be in it and then we will open the envelopes when they come back. And that will normally lead to lower quality, less well understood tenders. That pre-contract – is that built in?

Ann Blackmore: Not really no. That is the real missing area.

Stephen Sears: I think that is a very important area. Most procurement is very process focussed – rather than looking at outcomes. I think that all too often the commissioning authority treats the service (whatever it is) as a commodity that can specify exactly and is indistinguishable from whoever provides it.

If that is the basis upon which they approach procurement then their decision will be made entirely on price because they don't believe there is any real difference between the way in which the services are provided. Now I think that even in engineering based services, management culture is an important distinction as to whether one service is better or worse quality than another. But when you move in to the world of social services, health care and education, management culture is actually far more important really to the quality of the final experience.

Jonathan Bland: Firstly I wanted to make a point about the training of the commissioners. I know it is early days but I think that is just part of a larger jigsaw and I think there is a real danger of people focussing on that and thinking that 'we've ticked the box', we've done that – and then nothing really happens. These are not necessarily the people who have the power to make change.

My experience of observing this is that it is where you have leadership from the local authority at the political level, combined with leadership at the executive level, and then working together with the people who can actually make a difference. It is a bit like lining up all the melons on a fruit machine if you want to get the jackpot - you've got to have them all there. So you although we need to train the commissioners, if there isn't really any power from the top to do things in a different way, then it won't work.

Mark Todd: We've been given some useful points about this programme, but you have highlighted the other critical part, which is that this may be meaningless without a framework of change agency within the public authority to make it work. Someone can be well trained, apparently having gone through all the exercises, but if the culture of the organisation is not set up to use these capabilities, then nothing very much is going to happen. So are we addressing that, which is change leadership?

Jonathan Bland: I think there is an interest from, for example, IDeA to do some work around this, but I think it needs a much bigger push within parts of Whitehall as well as local government if you really want to see something that is achievable.

Mark Todd: And although it is really easy to shoot at public servants, isn't there a political dimension to all this? I know, as you were saying, you need to get all your fruit in the right order. One of these bits, certainly in dealing with a local authority, is the political leadership of the local authority. Their will and understanding to achieve change is crucial. Is that

something that's been got to grips with? Because putting politicians through training programmes might be difficult!

Jonathan Bland: I suppose from our point of view it is trying to get them all to compete and see the benefits of social enterprise across the political spectrum. Certainly our experience is that, regardless of parties, where there is real leadership at a local level you can see that it makes a difference.

Mark Todd: I would agree with that actually.

Jonathan Bland: The other point I wanted to make is that we have examples of social enterprises that actually go with a proposition to the local authority because they can see things that the local authority can't always see, and actually suggest that services could be arriving in different ways.

A really good example is one of the case studies in Liverpool where a social enterprise went to Liverpool City council and said: you've got a terribly bad record of collecting your bulky waste. People phone up and you don't turn up. Your recycling rates are really low compared to EU targets, while at the same time you've got pockets of really long term endemic unemployment which your plans aren't tackling. Put the two together in a contract and we will deliver that for you, and we will get people back into employment and improve your recycling targets.

That has been very successful, and that is the proposition that they now present to other local authorities. Something similar is happening in Pembrokeshire in Wales and I believe Camden is also doing something like this. That does come down to whether the people on the ground are open to doing things differently – which takes us back to the previous point.

Mark Todd: I am conscious that George [Thomson] has been sitting there rather quietly for a little while. You're in a different slot because these are actually little private businesses. How do you feel with the various government departments and public bodies who are your partners, or could or should have been – do you feel that they are understanding? Because you deal with local authorities, you deal with a lot of former public utilities, the BBC, DVLA and all sorts of other people who are a part of your business mix. How is that working with you in terms of defining the relationship in business terms through contracts and then actually leading a process of engagement and change?

George Thomson: This morning I had a meeting the officers from the Welsh Assembly on how they can best give work through the Post Office network and how local authorities in Wales could best do that as well. As far as I'm concerned, I think that the Sub-Post Office network is probably one of the best examples of mixed economy in the UK. On the one hand we have the fact that the Royal Mail group and Post Office Limited are still owned by the government – an independent company but they are still owned by the government. And Post Office Limited in commission gives sub-postmasters half a billion pounds a year, £500 million in income. But, as you say correctly, every sub-postmaster is a self-employed business person. So that is an example of not only public sector and public sector ethos, but also the private sector.

I as an individual have a very good understanding of that because for many years I was a Post Office manager as well as a local authority councillor. So I was steeped in public sector ethos. Nevertheless about 15 years ago I became a sub-postmaster and the families got a busy Spar convenience store as their Post Office, and obviously I became general secretary – so I understand both the benefits of the public and private sector, and they both bring different things to the table, to actually enhance their arguments.

When it comes to social enterprise you could argue that many of these small sub-post offices, because they keep an eye on pensioners, because it is a focal point in the village or the town, there is a social enterprise side to it as well. And in fairness I think that the very fact that the government now puts in £150 million per year recognises the fact that there is indeed a social enterprise element to the Post Office as well. It is a perfect example of how things could work.

The only difficulty with the sub-post office network at this moment in time is that shopping habits have changed, and various governments over the years have probably not used the network to the best of its potential. I think all the chickens are well and truly coming home to roost now. Really as far as I am concerned as general secretary I've got to make sure that after the closure programme that is going through at this moment in time, that it all becomes about having a sustainable post office network in the future.

I will just finish on this point because, I believe if you talk about and have sustainable post offices, you will have sustainable local retail facilities in towns and villages – and you will have sustainable communities. So I think the government has the key to actually, talking about carbon footprint environmentalism and local sustainability. The key in my opinion is local post offices, and I want a situation when all political parties realise that the days of closing offices after this closure programme are finished, and that we can work together to make sure to have sustainable communities.

Lord Erroll: One thing that has been worrying me is that the difference between government and a big business is that government has got to deal with everyone, even the ones who aren't economically sensible to deal with, whereas a business can always decide its customers. They can just say 'those customers aren't economic to deal with'. So sometimes these solutions which have been put out, in order to achieve the economies of transformational government, are ignoring the difficulty of the government role.

There is a large element of cutting off one's nose to spite one's face, in a way. That also made me think of a recent Kable report in October 07, [*Technology and the Transformation of Social Protection – Kable, 25th October 2007*] which said that: "to deliver increasingly complex care through an even more diverse mix of providers is beyond the capabilities of the current system." Do you agree or disagree with that perspective?

George Thomson: I am optimistic and I think at the same time there is a future for the post office network. I am optimistic in the sense that I believe that if decent honourable people want to achieve things, they can get joined up government – or they can work in silos within departments. I suppose a perfect example of how do we tackle things is – we know there is an obesity crisis and we are talking about how much money do we spend eventually on people whose ill health – because of obesity and other ailments – and how much do we actually put in to help keep them fit at this moment in time.

So, things are difficult but I do believe that government can be far more joined up than it has been. Of course, the point that Derek touched on is very important because if you try and keep an eye on everything then there is a danger that you can become over centralised – and you could argue that this has happened without the proper results.

Nevertheless, I am very optimistic that the government are moving in the direction of more joined up government, a holistic approach to the UK and some of the problems we are facing. It is up to people to keep the pressure up, and keep mentioning it, and hopefully we will get the outcomes that we want. There are no guarantees but there are no guarantees in life about anything.

Margaret Moran: Can I ask others to give their view on that?

Lord Erroll: Is the diverse mix too complex?

Ann Blackmore: That is a really important issue for a lot of our community organisations because - and it is back to the intelligent commissioning point – there is a danger that if you commission on a pro-rata or per head basis, you will get private sector companies, or even the public sector, taking the 80% of the service which constitutes the straight forward cases, and voluntary organisations pick up the more difficult cases.

I think the National Autistic Society did a study about seven years ago looking at the services that they delivered and actually restructured their costing because they realised that this was exactly what was happening – that they were picking up the children with the much more severe cases of autism, and that a per head or per child per unit cost payment was just not an appropriate way to deliver.

So it can be more expensive, and if you want to make sure everybody has access to a service then you do need to think how you can commission in a way which ensures that you are going to cover everyone and not just cover the 80% that want mainstream service.

Lord Erroll: When it comes to local authority funding – out of county and in county –you get a certain fixed rate of funding which follows with it. But other counties treat it differently and that seems to be a huge problem. Is there a role there for social enterprise to address this?

Ann Blackmore: One of the reasons why this is big problem for a lot of community and voluntary organisations is that we have the temerity to not necessarily exist along local authority boundaries. And people come to the advice service or care home that is nearest to them and you might have to cross a boundary to do that. I think there isn't recognition that where people want a service and where they think they live doesn't necessarily mesh with the political boundaries.

Jonathan Bland: Going back to the quote from the report – I think one of the biggest challenges which faces us is an aging population, the response that we make for people who want a quality of life which will go on for a much longer period, and the new range of services that people are going to want. Some of those I think they are going to have to pay for themselves and some of them will be paid for by the state and the mixed market however that works. But in terms of joining that up and actually having a step change, I think that social enterprise has a huge role to play there. I think that how government can work to facilitate that – or stop it – is one of the key questions we need to be looking at right now.

Chris Mole: Isn't that exactly the point to, not so much transformational government, but transitional services. Part of George [Thomson's] problem is that people aren't going to queue up for their pensions in the future. If you did a straw poll in this room there is not a single person who when they reach pensionable age is going to queue up to get their pension at the Post Office.

George Thomson: In fairness, we have made a case to government business for the Post Office to become a post bank similar to in France and Germany, recognising these facts that there are no guarantees and that people's habits are changing. And I think that it would set the Post Office in a far better place than we are if we do indeed become a post bank, and not only specialise in mails but also have a banking arm as well. Hopefully if we can get enough progressive politicians to support that then we can deliver. I hope over the next two years the case can be made within the UK for the Post Office to become a postbank similar to France and Germany.

Dave Smith: We're at a point in time, and if we say 'at a point in time' then of course it is too complicated. But it's a journey not a point in time and I think that the issue for me is to link back to earlier comments that effective commissioning around creating and sustaining multiple markets for these sorts of provisions is about leadership – and leadership emerges and develops and needs to be on the journey.

When the pace of change is forced as opposed to being allowed to develop, what happens is that a complex web of interactions become reduced to a set of technicalities – so people fall back on technical solutions. So complex commissioning becomes technical procurement. And then you get the outcomes that people were discussing earlier where it's all down to the rules and we all follow those technical processes because we haven't taken that next step on the journey - which is to understand and deal effectively with partnering arrangements. So in my view we have to patient.

Margaret Moran: We've heard about the Post Office and smaller businesses – but what about the role of industry? Are there things that industry can bring to the table in this? We've had quite a go at local authorities which are obviously key in delivering diversity, but obviously there are private sector partners as well. Are there experiences that you can provide for us on this topic? There are seekers of truth in large companies that would like to be part of this agenda, who maybe need to learn something, or have something they can give us.

Dave Smith: I think from the public sector's point of view the lesson about partnering with the private sector is first of all to have enough intelligence within the public sector to interpret and makes sense of what will work in the public sector. It is not a mere transposition of one way of working into another, it has to be a blend of the two.

At a very practical level, one of the issues that we learnt early on in the relationship we've formed with big private sector companies is that the markets we are working to, the needs we are working to, our target audiences – are much more complex than the target audiences of individual private sector firms. It is our business to worry as much about those who are socially excluded as it is to worry about those who are economically advantaged. And until we have realised that this is our market then we fail at the first hurdle because we make a partnership where there is a disconnect between what the private sector can bring.

Understanding that, and then applying it in terms of what the private sector can bring - not just doing the old things in a new way, but doing different things - is incredibly important. This is because they open up the public sector to a new set of thinking and a new way of acting and behaving which has a lot to commend itself to. But it has to be applied intelligently, understanding what the public sector is.

And I suppose at the heart of that is beginning the journey by saying: the public sector is not a poor relation of the private sector, that if only we 'grew up a bit' we would be like the private sector. That message can be interpreted as meaning that I don't think that the private sector isn't of equal value to us – in fact I think that it is. But I don't think it is any more than an equal partner in this process, and I don't think the public sector sometimes understands that itself.

I think the private sector learns a huge amount about the public sector when it enters into a big partnership because it comes believing it knows the answer, and it finds in reality that it only knows part of the answer. You have to begin to juggle those perspectives in order to get the outcomes you want.

My final point is, and it comes back to an earlier colleague's comments, you have to be absolutely crystal clear about the outcomes you want – and worry less about the inputs. One of the things that I think we've learnt from the joint venture partnerships that I've been

involved with is that we were prepared to take a risk around avoiding the detail of the inputs, but massively concentrated on the outcomes. This caused major friction with our regulators who wanted us to specify the inputs to an nth degree. And if we had done that, and given way to those pressures, we would have just reinvented what we were already doing, only another partner, as opposed to making a transformational difference.

Margaret Moran: What about the third sector and social enterprise? Are there any examples of working with local government and private sector involvement as well? Or do you see yourselves as competitors to the private sector? Or do you see an opportunity for working in a truly mixed economy?

Ann Blackmore: We actually asked our members this question, about how they would feel about working in partnership situations. Ironically a lot of our members said that they would feel more comfortable about being a partner, for example a consortium partner bidding for a contract for the private sector, than they did with a large national voluntary organisation.

They actually felt that they were under more competitive pressure from other charities, and that if they worked in partnership with the private sector it was because they were bringing something different to the table. So there is actually an interest in doing this. It does get tempered with the view that you need to be doing it because you are bringing something to the table, not because the private sector organisation thinks it stands a better chance of winning the bid if it looks nice because it has got a voluntary organisation on its arm.

Stephen Sears: Sometimes with this process of working with the private sector – you can fall out. There was a time when community recycling organisations were kept as pets by management companies – although we don't mind just now because we are competing. I was going to add to the point that has just been made about the difference in approach. I think the key difference in a purely commercial organisation with the provision of public services, whoever is actually providing them, is that in a private company the more customers you have the more money you make – whereas in the public sector, the more customers you have, the harder it is to make ends meet.

Margaret Moran: General question from me: the outline Transformational Government activity plan doesn't include any dedicated activity strand on the mixed economy or the delivery of the mixed economy. If you were given the opportunity to re-write that plan, what would you be putting into it to enable us to deliver that particular quality in public service provision?

While you are all thinking about that one, let me just ask Jackie [Nixon] a direct question. Jackie, you mentioned your consultation with the community, not only on what their needs were, but also how they wanted their services delivered – for example with Digital Challenge. Are there any examples of ways that process changed the Sunderland submission to Digital Challenge?

Jackie Nixon: I think that the e-champions project which started before Digital Challenge was instrumental in building up a relationship between the voluntary and community sector and the council – that's what I think. That project which started 5 years ago took a chance by going out into the community and giving out laptops and then setting up a steering group of local people and volunteers. I think that was instrumental in building up that relationship – and over the 5 years this relationship has grown.

We've also been developing a plan with the city at the moment. The community cultural services came into 6 areas of the community and used local contacts to consult with people on the ground. I carried out consultation with people in the area where I work and that information was then sent back to the council where they were devising the community plan

for the rest of the city. So it's about utilising what is already there and working with the council. Not 'us and them' – all of us together.

Margaret Moran: Good example of bottom up delivery. Who wants to re-write the Transformational Government activity plan?

Jonathan Bland: I think there are three things that you need if you want to see transformation in services for people across the country.

First, where it is appropriate you do need to see more social enterprise, so it's question of where markets are being opened up, where markets are being made. It's designing them and developing them in such a way that social enterprises can contribute and give their added value. It's very easy to talk a rhetoric of supporting social enterprise and then design the markets – and by that I mean, setting brief qualification criteria so that only large multinationals can really play into it, or in terms of the time frames by which people can actually get their proposals together and get tenders in. Very often the best things are a bit more complicated and take longer to work out. My great worry is that where there is rhetoric about opening up for mixed provision – and it won't be a mixed provision - it will be a default setting back to just private business doing things on a large scale.

And that links to the second thing which is: trying to build in outcomes which are social and environmental across the piece. That kind of joined-up linking what your overall policy goals are to what you do when you are buying services – so you are not just working in silos.

And then the other thing is: this split between value and price. My real concern here is 'stage 2' of driving through Gershon and everything just going down cheapest price – and losing the value and all the other things we just mentioned.

Ann Blackmore: I would like to build on Jonathan's comments. I don't disagree with any of them. I think you have to start by deciding the outcome you want. If you want to consider social or environmental factors then they have to be built in – and then try and find out who is best placed to deliver it, rather than saying 'we are going to go to the market here' or 'we are going to go to the voluntary sector here'.

You shouldn't start with assumptions about what organisation or what sector has an interest, or undertakes activity, or is competent in a particular area. I think that it is a real problem for voluntary and community organisations that it is assumed that they do social health and welfare, but they don't do anything else. You should just say 'this is what we want' and then make the opportunity of delivering it open to whoever thinks they are able to deliver it.

Chris Mole: I think most social enterprises that I have seen have tended to come out of social, and usually with start up costs covered by the European Social Fund. Do we need some other kind of model to enable the public sector to market, manage and assist with start up costs?

Jonathan Bland: At the moment you've got number of markets which are developing. Obviously the social care market, the Department of Health has its own social enterprise unit and is the process of establishing a £70 million fund, which is just for this kind of thing. The issue there is that there different ways of doing it. The key thing is being able to take risk in start ups that allow some innovation and not just reverting back to a very risk averse approach, where actually you are just operating like a conventional bank and might as well not have bothered.

The other thing is that there are lots of different market areas, and I think it is an issue of where Whitehall departments have an interest in seeing that market grow. Even if it is the

local authority market – lets say, the DCSF want to see new services delivered in different ways – to actively intervene to help make those markets and to help grow the provider base.

Dave Smith: I would make three points in response to Margaret [Moran's] question:

I would want to build into that document a clearer, more consistent application of an understanding about efficiency and effectiveness, to move away from the swingometer we operate within at the moment – we swing from efficiency to effectiveness and then back again – so that we can be more consistent in our application of these policies.

We need a participatory approach which engages commissioners, suppliers and those who are using the services.

To separate out and make a distinction in transformational government between transformational outcomes and transformational processes. The argument being is that what we are in the business of is delivering transformational outcomes. The means by which we achieve that is sometimes appropriately through incremental, managed step-by-step processes – and that is perfectly legitimate so long as the outcomes are transformational.

Lord Erroll: My question is about data/information sharing. The Data Protection Act is very often used to say you can't share information, and a lot of people hide behind that. Actually, it has also got some principles under which you should share information if there is a benefit from it, you just have to be clear about why you are doing it, and tell people why you are doing it.

Government departments have tended to be very proprietorial about their information. But actually if you look at the CSIA guidelines, and the IPS have got some guidelines out now which are very good as well, there is no reason why it shouldn't be done. Are you finding that there is a lack of information sharing that would actually enable better management in that supply chain in the mixed economy? Or do you find, like CAB did, that there was only one local authority to allow them access to the housing benefit information which they could use to help people who visit them?

Ann Blackmore: It's not an issue which has been raised with me by our members.

Lord Erroll: Would you like to get some information, would it help you? I mean the CAB were very positive about the fact that it would have helped considerably in some cases to have had access to some of that data in a proper and proportionate way.

Margaret Moran: While people think about that I'm going to allow Derek to ask a question.

Derek Wyatt: What concerns me most about some local authorities is that they have set up their own not for profit organisations, and therefore, they go along to the district councils and they say 'you know what – we could do back end stuff, we can do your electioneering, we can do your finance, we can do your wages bill'. And suddenly it isn't a not for profit at all – it's actually a way of propping up what is an uneconomic model. So I'm wondering how you deal with that internally, or whether you have been approached by district councils, or whether any of you can offer me some advice on how to stop this happening?

Dave Smith: My position on this is: we've been approached a number of times around these issues, and we have taken a conscious decision that it is not of prime importance to us to seek to integrate our back office services or to seek to run anybody else's. It is a policy issue rather than anything else, which is – the moment we begin to focus on doing those things differently and merging them with other organisations – either for us to be the provider or them – we stop focussing on the things we have to focus on, which is making an impact on

the services we provide to people in our communities. In that context we would be worrying about HR and payroll and finance instead of actually changing and making better things that make an impact on people who live in the community. So we don't see that as being our key issue.

Mark Todd: On the public sector information front. If you want to present your information spatially, in other words, in terms of a map, you will certainly have to confront the issue on how to train public sector bodies to achieve that outcome – and may have to make money out of it. Have you found that a frustration?

That is not the only model where that has to happen, where you are actually attempting to achieve a presentation of information which adds value to what you've got – and yet it has actually become more expensive and difficult to do because of the obstructions that are placed in your way. This would be something that certainly a local authority has to do quite a lot of, but you may have to do it as well in other areas.

Dave Smith: It is costly of course, but we have to weigh the benefit against the cost. A number of local authorities have got very good at gathering in information about our communities and making sense of it. What we have not yet got good at is being able to present that back to our communities in a form that demonstrates that we have done the thinking.

We spend a lot of time working with both the community sector itself as well as all the specialist companies, who can advise and assist us about presentation issues, because the more the community feels it understands and can make sense of what we are saying, the more they can reconcile themselves to our decisions. Even if our decisions in themselves are not popular ones, at least the reasons behind them are understood. That is key, and we are getting a lot better at that than we used to be.

Margaret Moran: I'm afraid we have to leave it there. Actually you were leading us into the third session which is about the democratic delivery of services. I just want to say thank you very much, we have had a very useful session. If there is anything that you were burning to tell us then please email EURIM and submit your thoughts.