

‘The mutualisation of public services – the recent experiences of Local Authorities’

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- ▼ What is a mutual/social enterprise?
- ▼ What is the policy background?
- ▼ Why commission social enterprises/mutuals?
- ▼ What are the benefits and challenges?
- ▼ What are the critical success factors?
- ▼ Social enterprise – Local Authority example
- ▼ Q&A

What are Mutuals and Social Enterprises?

- ▼ **Mutual** - Organisations **owned by, and run for the benefit of, current and future members**
 - Range from partnerships (e.g. John Lewis) to Societies;
 - Employee owned companies (e.g. Co-operatives) are a form of mutual.

- ▼ **Social Enterprise** – “Businesses with **primarily social objectives whose surpluses are principally reinvested for that purpose** in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.”

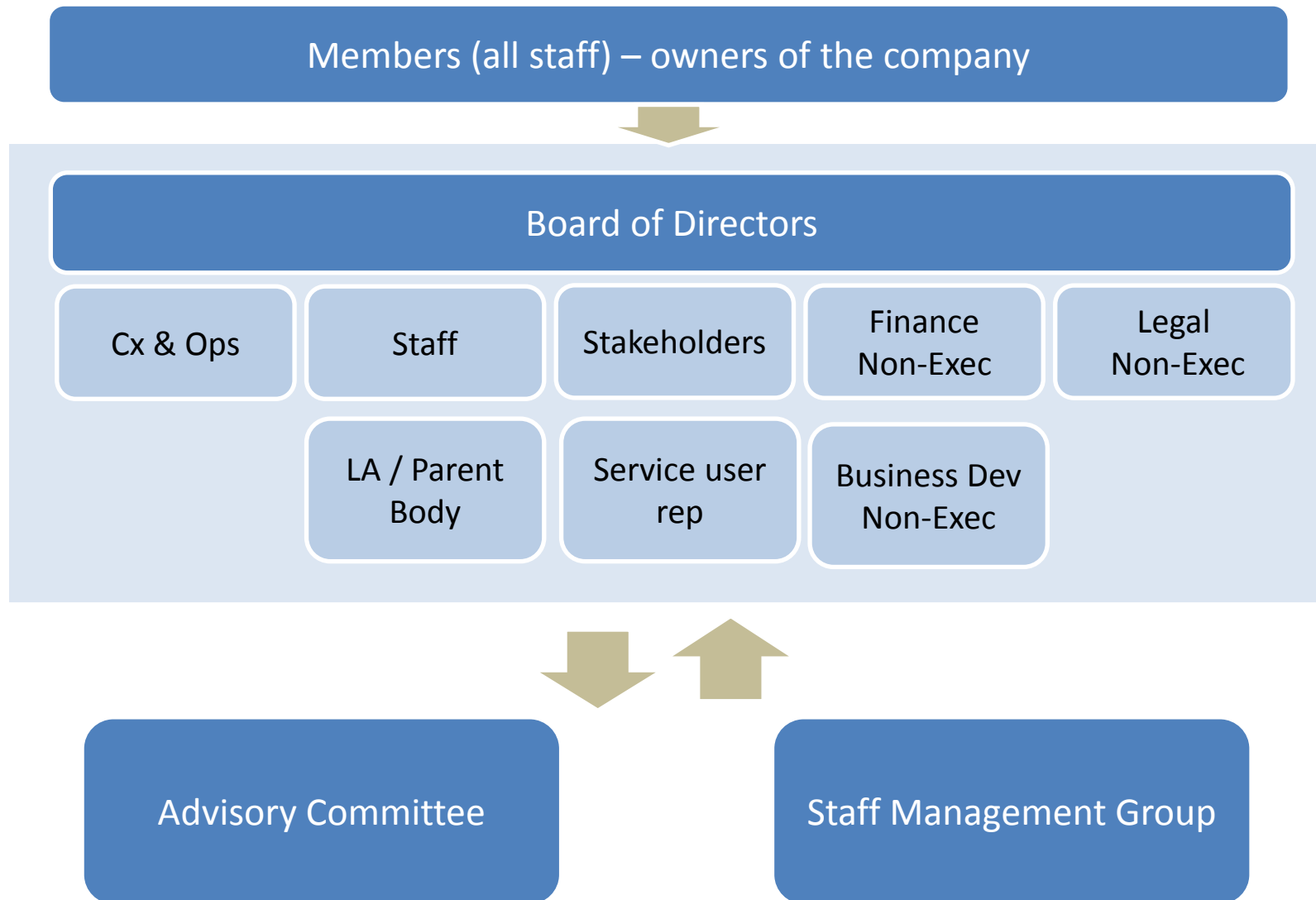
- ▼ **Mutuals are not necessarily social enterprises.**

Policy background

- ▼ Recent Governments have been eager to promote delivery of public services by Social Enterprises:
 - ❑ **NHS Right to Request** 2009/10 - enabled frontline PCT staff to apply to their PCT board to deliver specific services through a social enterprise;
 - ❑ Department for Education (DCSF) - **Social Work Practice Pilots**.
- ▼ Coalition Government have accelerated the pace of reform:
 - ❑ **Right to Provide** encourages a mixed market of suppliers - NHS and social care staff can request the opportunity to manage the services or care pathways they currently deliver;
 - ❑ Localism Act – **Right to Challenge** allows staff, VCS & communities to bid to run services;
 - ❑ Funding available (SEIF, MSP, social investment funds).

- ▼ Social enterprise is not a legal form in itself
- ▼ Neither is being a charity – both are a ‘status’
- ▼ Examples of social enterprise organisational forms:
 - **Limited Company** – most common legal form . Limited by either shares or by guarantee;
 - **Community Interest Company (CIC)** – custom made CLG/CLS for businesses that want to use their profits for public good but are not eligible to be charities. All have an “asset lock”;
 - **Industrial and Provident Society (IPS)** – puts values and principles at the heart of what it does.
 - **Co-operative Society** – trading for the benefit of its members;
 - **Community Benefit Society** – trading for the benefit of the wider community.
 - **Joint Ventures...**

Possible governance structure (CLG)



Why commission social enterprises/mutuals?

Three hypotheses were developed for testing the benefits of mutuals delivering public services

- Operating at a lower cost
- Delivering higher quality
- Offering higher levels of sustainability
- **NB. LAs moving from being providers to commissioners**

Mutuals can also be a way for Local Authorities to:

- Reduce liabilities associated with salaries, redundancy and pensions
- Develop the market / a mixed base of provision
- Promote multi-agency co-ordination / delivery

The strength of the evidence

Mutuals
operate at
lower cost
through:

better staff utilisation

better staff performance

operating with lower overheads

Mutuals
deliver
higher
quality
through:

providing a better customer experience

recruiting and retaining better staff

fostering more innovation

Mutuals display
greater
sustainability
through:

outperforming their competitors

demonstrating higher resilience

A range of transition issues will need to be addressed

- ▼ Level of parent body control over new enterprise?
- ▼ TUPE
- ▼ Pensions
- ▼ State Aid

Critical success factors for a sustainable mutuals market

- ▼ Support from the commissioning authority
- ▼ Clearer guidance on procurement rules
- ▼ Step change in public service culture and leadership
- ▼ Robust right to challenge/provide
- ▼ Access to early seed funding and support
- ▼ A robust and accepted methodology for measuring social value
- ▼ A clear statement that this is not back door privatisation

The Challenges facing new social enterprises

- ▼ Subject to vulnerabilities of any other business (e.g. cashflow)
- ▼ Over-reliance on single contracts, failure to diversify
- ▼ Capability gaps: demands new business skills
- ▼ Capacity restrictions: fitting things around the day job
- ▼ Relationship threats: ideological opposition from colleagues
- ▼ HR implications: certainty of terms and conditions important
- ▼ Technical challenges: e.g. EU procurement law
- ▼ Financial complications: e.g. VAT, access to seed funding
- ▼ Investment barriers: form can restrict sources of investment

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Mutuals Information Service

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