

Mutual Business Detector

How to decide which public services could be mutuals



Public Service
Mutuals with
The Co-operative

About Mutuo

Since 2001, Mutuo has worked to promote new mutuals. This has led to renewed growth in the mutual sector, with public sector mutuals established in health, housing and education and new community based businesses ranging from football to childcare.

- Mutuo operates as a not-for-profit Society, committed to:
- Campaigning for a better understanding of the benefits of mutual businesses
- Conducting and publishing policy research on issues of importance to the mutual sector
- Developing innovative new mutual businesses for the delivery of public services

Acknowledgement

Appropriately, the development of the Mutual Business Detector has been a co-operative exercise. The original idea emerged in a meeting in Lambeth on 17 May 2011 involving the Leader and Chief Executive of Lambeth Council, the council's senior team responsible for the Co-operative Council project and the Public Service Mutuals team. The need was for a means of establishing which council services should be considered as prime candidates to become new mutual enterprises. The work which was done to answer this need is described in this pamphlet and all concerned have contributed.

The precise requirements were articulated by Sophia Looney and Sophie Ellis from the council. They identified the services to be considered in testing the Detector and provided detailed comments to inform the final design.

The practical structure and format of the Detector were devised by Phil Gold and Jason Allan of Mpulse. Jason also played a key role in honing the questions on which the Detector is based.

Kevin Jaquiss and Ross Griffiths of Public Service Mutuals ran the project to develop the Detector. Kevin gave the bold assurance at the first meeting that a Detector could be developed. Ross used his wide experience to identify the key issues which the Detector would have to address to produce a meaningful assessment.

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Contents

1	Foreword.....	3
2	Introduction.....	4
3	Myth & Reality.....	6
4	Methodology	7
5	Introducing the detector	8
6	Using the detector	12

“The mutual business detector has helped us enormously in identifying those areas of our business where there may be potential”

1

Foreword

In Lambeth we're undertaking a whole scale change as we work towards the development of "co-operative council". This includes working out the best way of delivering services, and as part of that we needed a way to prioritise our efforts and identify those services where the mutual model may bring both efficiency and greater social benefits - to deliver our outcomes more successfully. Working with Public Services Mutuels has been a great experience; allowing us to work through, in a meaningful and measured way, an assessment of our services to determine which are more likely to have the basis for mutualisation.

The mutual business detector has helped us enormously in identifying those areas of our business where there may be potential; while it is only the start of a much longer journey, it gives a clear indication of where it is appropriate to spend more time and resources in assessing

the likelihood of building a successful venture. The flexibility of the tool means that it can be used as a quick indication or assessment by individuals or small groups of staff, or as a workshop, allowing for much more considered assessment of the suitability and deliverability of a mutual model to that business area. The approach enables different combinations or configurations of service areas to be considered, it doesn't restrict your thinking to the status quo, and it requires of participants only knowledge about their own service area. It has been a really helpful tool in showing which areas of the business we need to focus on going forward, and has been really straightforward to use.

Sophia Looney
Director
Policy, Equalities & Performance
The London Borough of Lambeth

2

Introduction

Co-operatives and mutuals were given prominence in the Coalition Agreement as a means of transforming the way public services are delivered. This reflected an existing direction of travel for Government policy; the previous Labour Government had directed and encouraged the establishment of NHS Foundation Trusts and co-operative trust schools and all three major parties had expressed enthusiasm for co-operative and mutual structures in their manifestos.

The Coalition Government's programme, as set out in the Coalition Agreement, includes the following commitments under the heading Social Action:

We will support the creation and expansion of mutuals, co-operatives, charities and social enterprises, and enable these groups to have much greater involvement in the running of public services

We will give public sector workers a new right to form employee-owned co-operatives and bid to take over the services they deliver. This will empower millions of public sector workers to become their own boss and help them to deliver better services

These commitments are reflected in Localism Bill and in Francis Maude's prediction that 1M public sector workers could transfer to mutuals by 2015. The result has been a feeding frenzy amongst those who have, or believe themselves to have, a stake in the reform of public services or the co-operative and mutual sector. Mutual evangelists have set out the virtues of mutuality, trade unions have suggested that the Government intends privatisation by the back door, commercial service providers have planned roles for

themselves in partnership with mutuals, academics and consultants have spoken at conference after conference explaining and interpreting the concepts.

The result, viewed dispassionately, has been a great deal of confusion and comparatively little concrete change. The debate has been largely theoretical and, because each form of mutual has its own passionate advocates, it has not led to any shared understanding even on what a mutual is. In illustrating the benefits of mutuality, the Cabinet Office has pointed mainly to employee owned enterprises but the biggest examples of public service mutuals - NHS Foundation Trusts and co-operative schools - give wider ownership and offer service users a voice. Whilst the debate has been going on local authorities, faced with an imperative to reduce cost, have been achieving this by the tried and tested method of large scale redundancies; in some services, this has significantly compromised the chances of establishing a new enterprise before the idea has even been considered.

Against this background, three principles have informed the development of the Mutual Business Detector:

- If mutuals are to play a part in the delivery of public services, there is a need to make and implement decisions quickly
- Councils do not have the resources to carry out sweeping, large-scale options appraisals
- There needs to be a focus on practice rather than theory - the question is not whether mutuals are a good thing but whether a particular service in a particular place will operate effectively as a mutual

The Lambeth Situation

The co-operative council is Lambeth's big idea for local government, based on seven key principles:

Principle 1 The council as a strong community leader

Principle 2 Providing services at the appropriate level personalised and community based

Principle 3 Citizens and communities empowered to design and deliver services and play an active role in their local community

Principle 4 Public services enabling residents to engage in civil society through employment opportunities

Principle 5 A settlement between public services, our communities and the citizen (this is what we provide, this is what you do for yourself) underpinned by our desire for justice, fairness and responsibility

Principle 6 Taking responsibility for services - regardless of where they are accessed or which agency provides them

Principle 7 Simple, joined up and easy access to services - location and transaction i.e. "one place to do it all", "one form, one time to do it all" - providing visible value for money

This involves, as Principle 5 makes clear, a rethinking of the relationship between the council and the community it serves rather than simply a redesign of the mechanics of service delivery. There are, however, some strong indicators that a mutual

approach to service delivery could play a part in realising the council's ambitions. If services are to be "personalised and community based" and if citizens and communities are to be "empowered to design and deliver services", a structure in which service users have a voice is likely to be appropriate. If the concept of communities and citizens taking responsibility is to be developed, a structure giving a sense of ownership is likely to be helpful. If services are to be joined up, a structure encouraging collaboration is likely to be necessary.

One strand of working out the ambition to be a co-operative council therefore involved encouraging the development of new mutual enterprises. The difficulty was that the council had identified over 200 services which were being delivered. The process of deciding whether to transfer any service to a mutual involves detailed communication with staff and careful appraisal and planning followed by a complex implementation process. It was simply impractical to embark on this exercise with all the services at once. The need was to find a quick and reliable way of identifying those services where a mutual approach was most likely to be successful so as to devote resource initially to communication, appraisal and planning in those services.

The Mutual Business Detector is designed to meet that need.

“In broad terms, a successful mutual harnesses the interests of its stakeholders to drive its performance.”

3 Myth and Reality

Some of the rhetoric around mutuals and their potential role in public services has resulted in some quarters in a hazy belief that mutuals are a good thing in themselves and that by adopting a mutual structure an enterprise gains an immediate advantage of some kind. In the present climate, this has translated at times into a belief that a practical response to a massive cut in funding would be to become a mutual. Unfortunately, this is wrong. There is no magical funding stream to which mutuals have instant and exclusive access. There are advantages in mutual structures but they are secured in specific situations in specific ways and have no direct relationship to funding.

In broad terms, a successful mutual harnesses the interests of its stakeholders to drive its performance. In a successful employee owned mutual, the ownership and participation which employees enjoy give them incentive, commitment and responsibility and this influences their performance and the performance of the mutual. In a successful user owned mutual, the voice which users have enables them to shape and improve the mutual's performance and the ownership they have encourages them to think responsibly about the way they use what the mutual offers. There would be no point in establishing a mutual unless it was believed that some or all of these benefits could be achieved; a mutual structure is not an ornament or an end in itself.

A mutual structure may - and indeed should - also provide an environment in which constructive and responsible dialogue can take place with staff and service users about cost savings or changes to the way services are delivered. This may have some impact on

financial performance. It cannot, however, alter the reality that a new enterprise established to deliver public services is a business and has to behave like a business.

The original working title for the Detector was “diagnostic tool” but it became clear that the key question to be addressed in looking at a service was whether it was capable of becoming a viable mutual business. Perhaps the largest change for public service workers in starting a new mutual enterprise is becoming accustomed to the idea that they are no longer spending a budgeted amount of money within a state entity which ultimately bears costs whatever they are; they are in an independent entity which has income (mostly in the first instance in the form of payment from the council for services) and expenditure. The absolute requirement is to provide the service the enterprise has agreed to provide without allowing expenditure to exceed income. If this is not achieved, the result is not criticism or the threat of disciplinary action, it is insolvency and the end of the enterprise.

All of this, in the Lambeth context, has two consequences for the Detector:

- The mutual structures most likely to be successful in delivering the key co-operative council principles of involvement with citizens and communities will be those in which citizens and communities have voice and ownership and can use that voice and ownership to make the enterprise successful
- No resource should be devoted to exploring a mutual option for a service unless it has the prospect of operating as a viable business

“Having put a basic framework in place, work was then done to establish whether the answers to some questions should be given particular weighting because of their importance. ”

4

Methodology

The starting point for the Detector was capture from the experience within Public Service Mutuals key features of new enterprises which had successfully emerged from the public sector (whether as mutuals or otherwise) and of successful mutual businesses (whether from the public sector or not). This resulted in a set of basic questions.

Working with MPulse, these questions were refined and categorised; it became clear that some had to do with whether a service had characteristics which would fit a mutual structure and some had to do with how easy it would be to establish the mutual. This led to the development of a chart format with two axes. Everyone concerned also felt that scale was important; a certain critical mass was likely to be necessary for a new enterprise to flourish in a commissioned market so it would be helpful for the Detector to reflect this.

Having put a basic framework in place, work was then done to establish whether the answers to some questions should be given particular weighting because of their importance. This involved a combination of actual experience, instinct and testing on practical examples.

Finally a prototype was produced and presented to a group of managers from various services in Lambeth. The aim was to establish how easy the questions were to understand and to see whether the answers given produced a result which was sensible by reference to the expectations of the Lambeth and Public Service Mutuals teams and the views of the service

managers. A more detailed analysis, using the next stage of the Public Service Mutuals programme for the establishment of new enterprises, was done in a workshop with two of the services to see whether a more in-depth approach would produce a different result.

The outcome of this session was that the Detector was reasonably easy to use and thought provoking. It produced a worthwhile and accurate indication about the suitability of a service to become a mutual and also identified issues which needed to be addressed. There were also ways in which it could be improved. Changes were made to the form of the questions and to some of the wording.

The final version of the Detector is reproduced in this pamphlet and can be accessed and used online by following the link at: www.co-operative.coop/publicservicemutuals

5

Introducing the Detector

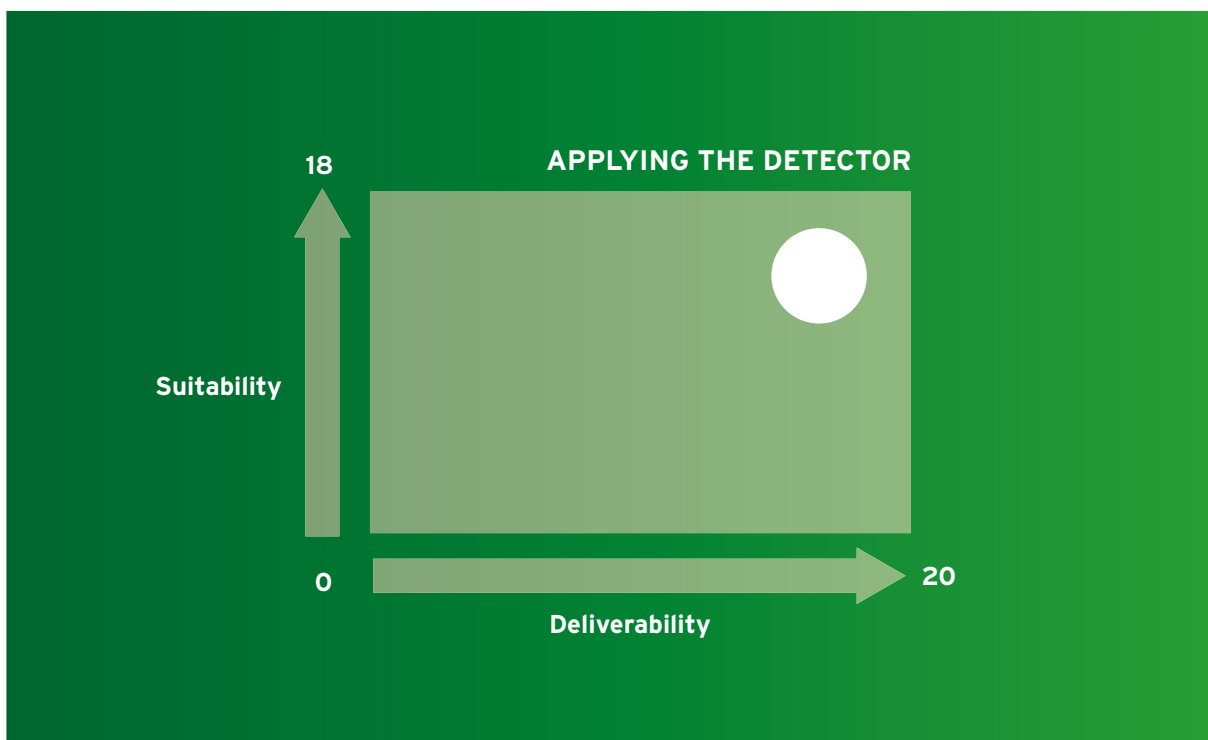
As previously explained, the Detector measures a service's suitability to operate as a mutual, the ease with which a new mutual organisation could be established and the scale the new organisation would have. It is best introduced by showing a possible result of its application to a particular service:

This is a service which is suitable for operation as a mutual, can be established easily and has significant scale. Depending on the answers to questions, other services will be represented by a smaller circle and will appear lower and/or further to the left on the chart.

The Detector works in three stages:

- A first set of questions measures how suitable the service is to operate as a mutual
- A second set of questions measures how easy it would be to establish the mutual
- A final question fixes the scale the service would have as an independent organisation

The three stages are shown on the following pages. Each of the possible answers has a score assigned to it and the score on each page is totalled. The scores are used to plot the service's place on the chart which the Detector produces.



DETECTOR STAGE 1

1a. The service and the community			
	A lot	A bit	Not really
To what extent is there a natural community with a shared interest in the service (not just "everyone in the borough")?	2	1	0
To what extent is it a service delivered face to face by people to people?	2	1	0
How much will users miss it if it isn't there?	2	1	0
Totals			
Table 1a total			

1b. The service and competition			
	A lot	A bit	Not really
To what extent is there a de facto monopoly?	2	1	0
To what extent is the service the only practical way for people to get what they want?	2	1	0
Totals			
Table 1b total			

1c. The service and money			
	A lot	A bit	Not really
To what extent does the service have a low requirement to own capital assets?	6	3	0
To what extent is the service commissioned by the council?	2	1	0
Totals			
Table 2c total			

DETECTOR STAGE 2

2a. Politics

	A lot	A bit	Not really
To what extent is there political will to establish a mutual to run the service?	2	1	0
To what extent is implementation a Council priority?	2	1	0
Totals			
Table 2a total			

2b. People

	A lot	A bit	Not really
To what extent is there leadership to develop a new way of delivering the service?	2	1	0
How keen are employees?	2	1	0
To what extent are trade unions on side?	2	1	0
How clear is that continued access to the Local Government Pension Scheme will be possible?	2	1	0
Totals			
Table 2b total			

2c. Business

	A lot	A bit	Not really
To what extent is the service a discrete unit?	2	1	0
To what extent is the future income of the service predictable?	2	1	0
Totals			
Table 2c total			

DETECTOR STAGE 3

3. Scale	
How many people work for the service (on a full time equivalent basis)?	
15 or fewer	•
16 to 49	●
50 or more	●●

Outcome		
Total score table 1a		
Total score table 1b		
Total score table 1c		
Suitability rating		
Total score table 2a		
Total score table 2b		
Total score table 2c		
Deliverability rating		
Representation of scale		

“The indication which the chart gives will be used in Lambeth to look on a systematic basis at all the services currently provided by the council.”

6 Using the Detector

The Detector is not difficult to use and it will be possible for anyone to take the questions set out above and the blank chart on the final page and apply it to one or more services using their own knowledge and experience. The online version at www.co-operative.coop/publicservicemutuals even does the calculations and produces the chart for each service automatically.

The Detector does not provide more than an indication as to whether a mutual option is worth exploring. In the six stage process to the establishment of a new, trading mutual enterprise developed by Public Service Mutuals, a raft of detailed considerations arise and solutions have been developed to issues in areas including employment, pensions and procurement. The Detector suggests whether the process should be embarked upon.

The indication which the chart gives will be used in Lambeth to look on a systematic basis at all the services currently provided by the council. Where a service appears to be a good candidate to be run on a mutual basis, a process of exploration with staff and stakeholders will be carried out from which, if appropriate, an outline business plan will be produced for in principle approval by the council. Where approval is given, a process is in place to convert the outline business plan into a full business plan, structure map, organisational design and project plan.

Other councils which see mutuals as part of the picture for future service delivery in their area may take a similar approach in relation to some or all of

the services they deliver. The Detector can also be used by service managers who see the possibility of a new enterprise and want a preliminary indication as to whether a mutual would be worth considering. When the Localism Bill becomes law, the Detector is capable of serving a useful purpose for anyone, within a council or outside, considering a bid to provide services.

The Detector also provides a helpful framework for new ways of thinking about service delivery. One example of this arises from the significance of scale in the application of the Detector. Services which are suitable to be operated as mutuals and could easily be established as new mutual enterprises may not be an attractive proposition either for the Council or the people working in them if they are very small. This immediately gives rise to questions about collaboration with other services to share overhead costs. There will be other cases where services, whatever their scale, will see a need to share strategy, approach or best practice with related services. The Detector can easily be applied to services working together to show what benefits collaboration would deliver and it is the intention in Lambeth to use the Detector to encourage conversations along these lines.

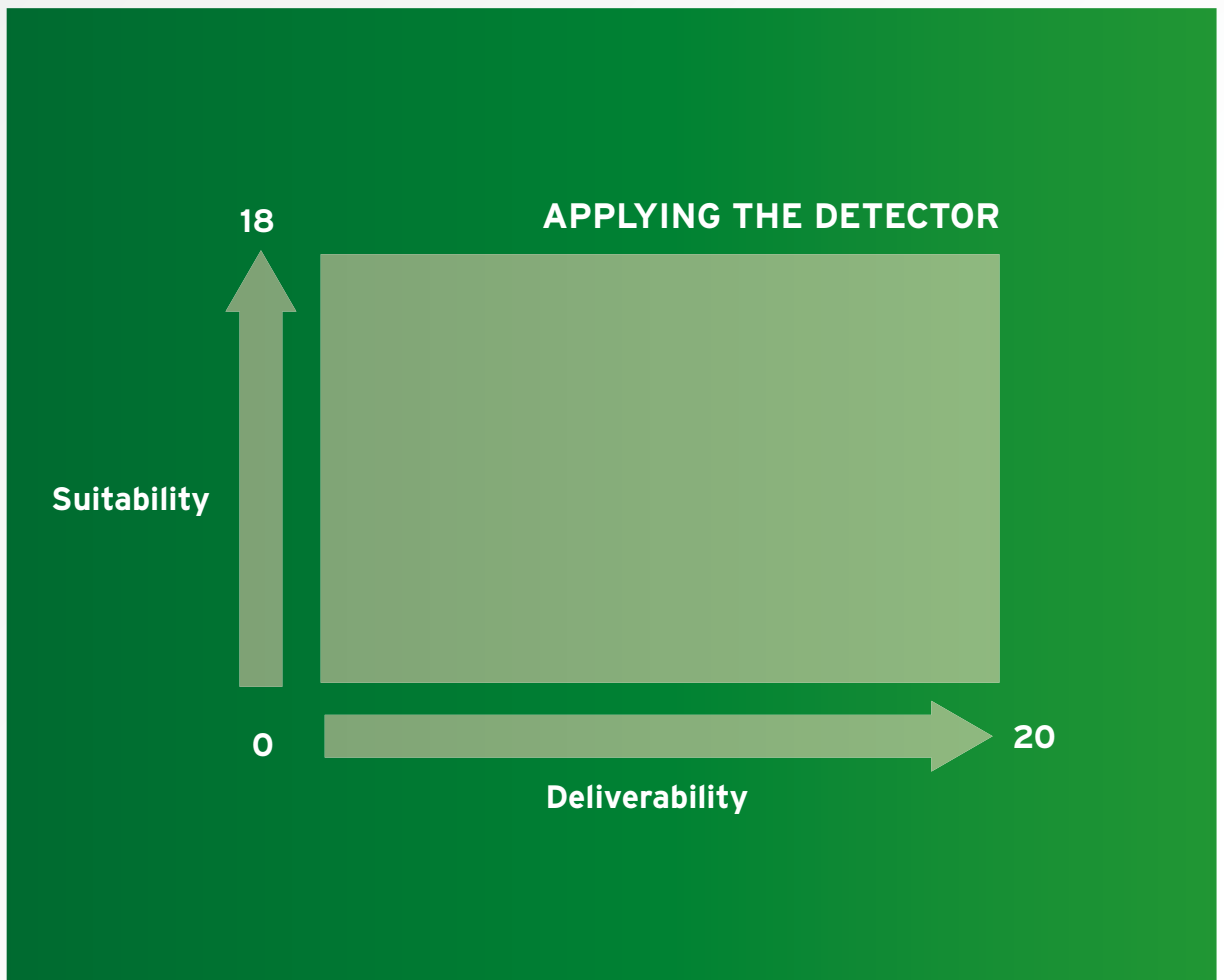
What emerged from the testing of the Detector is that, whilst it can be used very effectively with minimal background explanation, it can provoke interesting and helpful discussion in a workshop setting. The questions prompt ideas about relationships with stakeholders and about the key issues in establishing

“Above all, the Detector is intended to be useful and practical.”

a business and experience shows that people find discussion helpful and reassuring. A workshop version of the Detector is also therefore available.

Above all, the Detector is intended to be useful and practical. It is clear from the work which has been done in developing and testing it that mutuals do have a part to play in the delivery of public services

and that councils and council staff react with interest and enthusiasm where a viable proposal based on an actual situation can be developed. The questions and the scoring framework and chart are freely available so that they can be widely used - the hope is that the Detector will identify and facilitate the establishment of a new generation of successful mutual businesses.



PUBLIC SERVICE MUTUALS

- The way forward with The Co-operative

All mutuals share an important common bond - they are owned by, and run for the benefit of, their current and future members. They are all about people with shared interests coming together to deliver what their members need. Members might be consumers, service users, employees or stakeholders from the whole community.

Mutuals take many forms and do many different things, but the most well-known are co-operatives, building societies, friendly societies and mutual insurers. However, there are many more - from credit unions and community-based mutuals to housing associations and football supporter trusts.

The Co-operative Group itself is of course a co-op, and it is a direct descendant of the revolution that began in 1844 when a group of everyday people got together and formed a new kind of retail business - one that was owned by its customers, operated in their interests and run democratically.

The Co-operative Group believes the bond of mutual interest that led to that retail revolution over 160 years ago, continues to provide an incredibly strong basis for a successful, sustainable enterprise. And we've got the evidence to prove it.

In the UK today, mutuals have a gross annual turnover of over £100 billion and employ more than one million people. Throughout the world, the International Co-operative Alliance estimates that the 300 largest mutuals are responsible for a turnover of more than 1.1 trillion US dollars. They come in all shapes and sizes, providing everything from food and energy to homes and healthcare.

That's why the Co-operative Group wants to help public sector managers explore whether the mutual way is the best way for their services.

The Co-operative Group believes the principles upon which mutuals are founded have a particular resonance in the public sector where there is an underlying sense of public purpose. Unlike private ownership which tends to be for the financial benefit of the few, mutual ownership is shared amongst stakeholders and is therefore more fitting for the delivery of a public purpose.

Significant parts of the UK's public sector are now in forms of co-operative or mutual ownership, the highest profile examples being NHS foundation trusts and co-operative schools.

Across the political spectrum mutual organisations are now seen as a legitimate alternative to privatisation and the Co-operative Group will help public sector managers determine whether the mutual way is the right way for them.

Who we are

The Co-operative is a consumer owned co-operative with an annual turnover of over £13bn. It operates across a range of businesses including food, pharmacy, funerals and financial services - the latter is already the trusted partner for many public sector organisations and has been recognised for its ethical and sustainable approach.

The co-operative is a values-led business which places its members at the heart of what it does. Its history can be traced back over 160 years and it currently has over six million members. Nationally, its expertise in engaging with members and stakeholders and supporting meaningful governance and democratic control, is unparalleled. It has had considerable success supporting mutual organisations through the Co-operative Enterprise Hub, which offers training and support to new co-operative businesses, and it has worked closely with government to create new co-operative models to deliver public services, such as its pioneering work creating and supporting co-operative schools.

The co-operative has brought a group of experts together to provide the advice, training and support public service managers will need if they are to set up, run and grow a sustainable mutual.

What we do

Despite their long history and proven success, mutual models for business aren't the first that spring to mind when considering how to set up or run an enterprise. Often that's true for those advising on public sector reform, as well as those being required to deliver it.

There is often a real need to take decisions in the interests of communities, quickly and that is where the Co-operative can help. The Co-operative provides a 'one stop shop' service.

In the first instance we work with managers to look at whether the mutual way is right for them. If it is, the Co-operative continues to work closely with managers to do everything from developing the business model to help make sure new mutuals communicate with their members effectively through to confirming the best governance structures and developing an appropriate HR strategy.

Your Next Steps

To discuss how the Co-operative can help, please call 0845 165 5545, email psmutuals@co-operative.coop or for more information, visit www.co-operative.coop/publicservicemutuals.

AUTOTUNE
DISP 3
ANT 1 MAIN
32*13.424 M
84*27.299 M
31*29.053 M
71*12.059 M

