

# Commissioners' perspective

## Barriers to working with Mutuals

In order to gain a wider understanding of the challenges for Mutuals in bidding for contracts to deliver public services, we have conducted interviews with individuals who have extensive experience in this area.

Generally, commissioners highlighted that their main priority is achieving positive outcomes for the local population regardless of the legal form of the providers. They do not actively distinguish between Mutuals and other voluntary and social sector organisations. Nevertheless, they expressed a positive attitude towards commissioning Mutuals, recognising their potential to improve the quality of public services.

*"I think [Mutuals] have a key role to play. They are part of the landscape and they are ideally placed in my view. I don't think they are the sole answer, but certainly one of the answers."*

However, two main barriers to commissioning community-benefit organisations emerged: (1) funding, and (2) procurement processes.



1.  
Funding



2.  
Procurement processes

## Funding

Almost every year for the past decade, local authorities have been forced to find ways of sustaining or developing the current public service offer within an ever-diminishing financial envelope. Post-crisis financial pressure has been one of the most pressing factors that transformed commissioning significantly on the national level, decreasing in-house provision and placing more importance on the price of an offer.

## Procurement processes

Commissioners observed that whilst they might be able to see strong arguments for procuring locally based Mutuels run to social enterprise values, i.e. reinvesting surplus into service improvement, the requirements of EU-wide competitive regulations meant that their hands were tied at the point where they go to market.

The screening and monitoring requirements constitute a significant barrier, as those requirements are often excessive and inappropriate for small community-based organisations with a commitment to social value.

*“What can get in the way is the restrictions around fairness, transparency and competition. We want to work with them [a Mutual], we trust them, we want to be flexible, but there are things that inhibit us that could mean that we come up with a much less satisfactory solution.”*

Competing in the public sector for high value contracts carries a significant price tag that smaller organisations often struggle to meet. The sheer amount of time and effort, as well as specialist support needed to support a large bid process creates barriers for smaller organisations looking to compete on their own. A consequence is that smaller, less commercially experienced providers like Mutuels can struggle to meet the bar.

## Tools to commission Mutuels and VCSEs

Our analysis revealed a number of tools that commissioners use to engage Mutuels and other third sector organisations in the delivery of public services. Other solutions are available, but these are those most commonly put into effect:

### 1. Being open to consortia

Commissioners interviewed stated that if they believe there might be a number of small organisations interested in bidding, simply announcing that they are open to bids from consortia encourages smaller players to engage in the procurement exercise.

## 2. Market engagement

Providing advance notice of commissioning intent can give Mutuals time to put a meaningful consortium together. Early interactions with the market and open dialogue with organisations interested in delivering a given service can help commissioners and providers to develop strategic relationships and jointly discuss how to deliver desired outcomes.

## 3. Pilots

Commissioners were found to use pilots as means to engage with smaller providers and third sector organisations. They used pilots to test innovative solutions with smaller providers. If a pilot proves successful, it is then open to tender.

## 4. Social Value Act

The Social Value Act requires commissioners to think about the broader economic, social, and environmental impact when procuring services. The use of a social value act is usually reflected in the inclusion of a social impact question in the bid. However, recent research has found that this approach has not been widely used by commissioners (at least in health) (White, 2017). Our interviewees noted that the Social Value Act can sometimes be a “slight red herring”, as there is no consensus around measuring social value and including this requirement might make the tendering process even more complex, costly, and thus discourage small players.

## 5. Mutuals Exemption

Allows the commissioner to restrict the bidders to organisations with a social purpose who reinvest their surpluses into the community and have a degree of employee ownership/engagement. This, however, is limited to a single award of a 3-year contract. This approach can give Mutuals a safe launch for the first three years without having to face competition from larger and potentially better-funded private sector organisations.

*“Our procurement team was really excited, but it’s not a very effective way of achieving our goals, as it is only for three years.”*

## 6. Direct award

If there is no real market for a given service, commissioners might decide not to carry out a procurement exercise and to award the contract directly to an organisation.

## Appetite for partnerships

Commissioners see partnerships as key to delivering the outcomes they strive to achieve. We have found an increasingly positive attitude towards contracting consortia of smaller, local providers.

*“I am observing quite a shift in commissioners’ sense of a value of commissioning smaller social enterprises, Mutual, charities, because they provide a service to the local community that cannot be replicated by a bigger provider.”*

However, they emphasised that partnerships between providers are not sufficient. The partnership between the commissioner and the provider is also an essential part of the success.

*“It’s not only about how organisations partner to deliver, it’s also about how the local authority partners with them to make sure outcomes are achieved.”*