Literature review

Evolution of the policy landscape

Although the roots of the mutual or co-operative movement in England can be tracked back to medieval guilds, mutualisation only figured high up on the political agenda relatively recently. Since the 1990s, a combination of government enthusiasm for mixed models of public service delivery, and more recently a growing understanding of the importance of social impact as well as rising financial pressures, have brought on a number of policy drivers and legislative changes. Those initiatives have intentionally supported the development and growth of a wider social enterprise public service delivery sector of which Mutuals are a key part.

In particular, the following policy changes and initiatives contributed to the growth of Mutuals (Hazenberg, Hall, & Ogden-Newton, 2013):

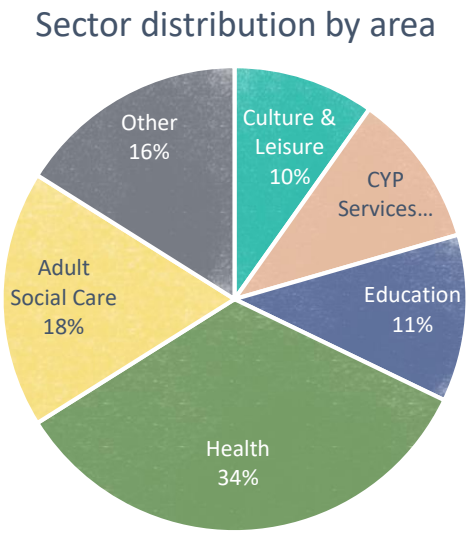
- ***2008 Right to Request Programme:*** this gave primary care trust staff the opportunity to develop their own organisations to deliver healthcare services and resulted in the creation of the first wave of Mutuals.
- ***2010 Right to Provide Programme:*** replaced the former, allowing for a greater scope of public sector spin-outs to emerge beyond primary care trusts.
- ***Mutuals Support Programme and Mutuals Information Service:*** provided support to aspiring and new Mutuals through the Cabinet Office and helped broaden the landscape for Mutuals outside of health.
- ***Community Right to Challenge*** *(included in the Localism Act of 2011):* required local authorities to consider an expression of interest submitted by a voluntary or community organisation in relation to providing a public service.
- ***2012 Public Services (Social Value) Act:*** requires public services commissioners to consider wider social, economic and environmental benefits.
- ***2016 The Government Inclusive Economy Unit (GIEU):*** formed to lead the government's efforts to strengthen the social investment market and support mission-led businesses, including the Mutuals sector in England.

The growth in number of public service spin outs has been slower than initially envisaged (Hazenberg et al., 2013). Nevertheless, existing Mutuals exhibit impressive growth – on average growing by over 50% since

launch (Social Enterprise UK, 2018). Currently, the DCMS identifies about 120 Mutuals in England. The sector is diverse in respect to service areas, legal forms, size, and maturity of the organisations.

Just over half of all Mutuals operate in health and social care. Other sizeable service areas include culture and leisure, Children and Young People's (CYP) services, and education. The 'other' category is very diverse: it includes Mutuals offering probation services, employment advice, consultancy and building control.

Figure 2: *Sector distribution of the Mutuals sector in England*



In 2011, there was a surge in the number of new spin-outs after the Right to Provide guidance was introduced to sit alongside the existing Right to Request programme.

Mutuals vary significantly in terms of size. The smallest Mutual employs only 1 person; the largest over 1,500. Turnover ranges from £200k to over £100m.

The potential of Public Service Mutuals

The effectiveness of Mutuals in public service delivery is a relatively new research area given how long they have been around and thus the findings are limited, particularly in relation to service-user outcomes. Nevertheless, early qualitative research provides grounds to believe that Mutuals have real potential to deliver innovative, cost-effective alternatives to public service delivery (CIPFA, 2017b; Hazenberg et al., 2013; Le Grand & Mutuals Task Force, 2012).

The theoretical rationale for Mutuals is strong. Based on providing staff with an experience that resembles as closely as possible that of being an owner in their own organisations, and in many instances actually offers them a stake of some kind, the model results in greater employee engagement in service provision.

Employee engagement is in turn associated with higher motivation and job satisfaction, as well as improved user responsiveness, delivery quality and customer satisfaction (Chartered Institute of Personnel and Development, 2012; CIPFA, 2017a; Ham, 2015; Le Grand & Mutuals Task Force, 2012; Social Enterprise London, 2010). Such advantages are much-needed in times of staff shortages, funding constraints and Brexit uncertainty. The cherry on top is that independence from a parent organisation is expected to cut unnecessary red tape and bring greater efficiency.

In practice, there are also some serious risks. Mutualisation is a complex transition that often requires business planning, financial modelling, legal support and changes in human resources. New Mutuals can struggle to survive in competitive markets alongside long established incumbents (Social Enterprise UK, 2012). Existing Mutuals face difficulties balancing the need to sustain core services whilst diversifying and maintaining their competitive edge (Brown & Watt, 2013).

There are also sector-wide concerns that mutualisation might lead to more fragmented services and actually create new layers of bureaucracy. Even though Mutuals and other VCSE organisations are often perceived as 'the ideal' provider, it has been shown that the structure of public procurement favours big organisations with sizeable balance sheets, often forcing Mutuals out of the market (Social Enterprise UK, 2012). VCSE organisations can struggle to deliver competitively priced bids due to their small reserves and limited infrastructure. There is a growing concern that the pressures of budget cuts on public service commissioners will result in cost savings being a significant consideration in procurement, and thus limit the potential of staff-led Mutuals to create better outcomes and generate positive social value (Bagwell, 2015; Hazenberg et al., 2013; NCVO, 2014).

Commissioning context

The commissioning landscape for public services in the UK has seen a number of shifts in the past decade which has increased the importance of partnerships amongst public service providers.

Economies of Scale: A shift towards regional and national commissioning and large-scale contracts to achieve economies of scale and reduce the cost of contract management for commissioners while securing equity and standardisation in the provision in commissioning of services.

Contract sizes have increased over the past 5 years; coupled with financial requirements (e.g. turnover of at least £20 million) for the organisations wishing to deliver the contracts (NCVO, 2014), this shift made it essential for smaller providers to bid for contracts in partnership with other organisations.

Integration: A shift towards integrated services and joint working across different services that traditionally have been commissioned separately. Joint working for public service delivery has been central to public sector reform in the UK over the last two decades (Crowe, Gash, & Kippin, 2014). This recognises the interdependency between services and a growing belief that partnerships can improve outcomes for service users whilst bringing cost savings (Social Enterprise UK, 2012a).

Place- and asset-based approaches: A shift towards identifying localities as the common basis by which services are commissioned. A move to Mayor and devolved systems are also starting to influence a place-based approach to commissioning across cities. These approaches identify and value local, smaller, community-based organisations in the provision of public services (Myers, 2017). The key changes to the commissioning of health and care services centre around delegating responsibilities to local, rather than national organisations and placing more emphasis on joint-working between a range of providers supporting locality (Wenzel, 2017).

Whether it be to achieve regional and/or national scale or the need for integration and place-based approaches to commissioning, those trends are forcing smaller and/or specialist providers to partner to meet the commissioners' requirements for scale and service expertise. Mutuals are usually highly specialised with a local offer targeted and focused on a specific set of user needs, which limits their ability to bid for large-scale contracts. Additionally, Mutuals tend to be small with limited infrastructure and small balance sheets that restrict their access to the capital needed to deliver larger contracts.

With these points in mind, there is a strong case to protect and support the relatively young Mutuals in partnering, and thus help them realise their full potential to contribute meaningfully to better quality public services.