



Public sector employees are being encouraged to take control of the services they provide and run them as mutuals. *Joe Lepper* looks at the experiences of those pioneering the approach in children's services

MUTUAL BENEFITS

Soon after taking office in 2010, the government issued a rallying cry to enterprising council staff to escape the clutches of the town hall and set up mutuals.

Cabinet Office minister Francis Maude proclaimed at the time: "There are literally thousands of frontline employees who can see how things can be done better, but at the moment, with the existing constraints, they just can't get it done. Now this is going to change." The theory was that productivity and innovation would improve if staff had a stake in their organisation, giving them a sense of ownership and commitment.

Sixty-six public sector mutuals have launched since that announcement and a

further 35 are in the pipeline operating in a variety of guises (see key points box). A handful of children and youth services teams are among those to have answered the call, but the Cabinet Office is optimistic that more will follow. A spokeswoman says that a third of calls to its Mutual Information Service since April 2012 have been from services related to children and young people.

Pathfinder councils

The Cabinet Office has supported 22 "pathfinder mutual councils" to test the model, seven of which have involved children's services and two – in the London Borough of Hammersmith & Fulham and the Royal Borough of Kensington and Chelsea – will launch fully-fledged staff-led mutuals this year.

Rather than frontline employees taking up the call to arms, however, some councils appear to be driving the movement at a managerial, corporate level. Matthew Waters is a senior associate at law firm Bevan Brittan, which advises councils on setting up mutuals. He says: "The theory is that there is a group of staff chomping at the bit to free themselves from the shackles of the local authority.

"In my experience of children's services mutuals, it is rarely a ground-up movement and more often a case of top-down thought process, with councils looking to become a strategic commissioning council." The consultancy FPM has been advising councils and community groups on setting up mutuals. Its chief executive Kevin Ford concurs: "Councils are having to sell the model to the very people who traditionally should be driving it."

CASE STUDY: SCHOOL IMPROVEMENT SERVICES IN SANDWELL

Sandwell Metropolitan Borough Council forced itself to rethink how it delivered school support in the wake of government education reforms. Mirroring the picture nationwide, its schools have become increasingly autonomous as academies and free schools, with greater freedom to buy improvement services. The council wanted to ensure schools still commissioned local services rather than turn to national private providers.

Bob Badham, cabinet member for children and families, says: "We wanted to keep the services local and to retain the jobs, so we decided that a partnership approach, where all the schools worked together as a mutual, would be the best way to achieve those aims."

The mutual began operating in January as a community interest company called Sandwell Inspired Partnerships Services. Local schools have 80 per cent of the membership, with the council retaining 20 per cent. All profits are ploughed back into the service or shared by the schools.

As well as school improvement services, it provides music tuition, school meals, health and safety checks, and staff and governor training.

Schools spent just under £9m a year on such services, with the council investing a further £2m.

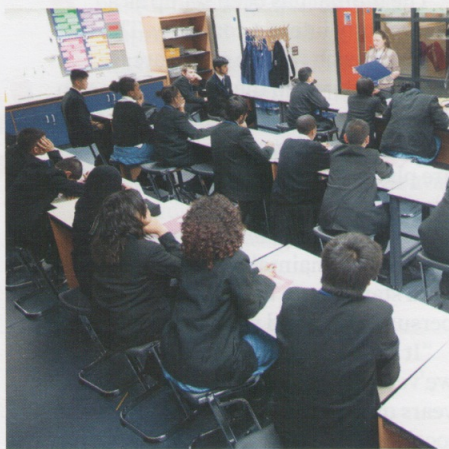
The mutual has 70 school members thus far, with plans to include Sandwell's 50 remaining schools over the coming year. It is also being commissioned by neighbouring schools in Dudley, Wolverhampton and Walsall, with those who hire the mutual being given "associate membership status." Badham

explains: "This gives them an involvement in the services but no voting rights or a share of the surplus, but over time that may change."

Around 400 staff in a wide range of jobs moved from the council over to the mutual. Badham admits that at first, local union representatives and staff were apprehensive about the plan. "I knew it was important to communicate with them so we explained how this would preserve local jobs and the services," he says. The fact that the mutual would operate on a not-for-profit basis also helped allay union concerns.

As something of a pioneer, the mutual is considering offering advice to other schools and councils on setting up mutuals.

"We are taking a lot of calls from other areas interested in this model, which has made us realise the potential opportunity for adding that type of advice to our service," adds Badham.



Schools work together to commission local services

But children's services mutuals are not restricted to the staff-led variety. In Sandwell in the west Midlands, for example, schools have come together to set up a mutual to run local school improvement and support services (see case study, above).

The young are also having a direct stake in austerity-threatened services that are aimed at them. Later this month, a young people's-led mutual will form in the Delves Lane Estate in County Durham, to provide youth services in the area. Called Circle Crew for Change Limited, it is hoping to access part of a £250,000 Big Lottery grant to the charity Groundwork UK in the area. Project adviser John Thurlbeck says the Durham initiative is also talking to councils about using neighbourhood funds and has "highlighted a number of charitable funds to access."

Emphasising the level of youth involvement, six of the posts on its nine-strong board are reserved for 16- to 25-year-olds. Its membership is also open to any of the estate's 1,250 13- to 25-year-olds, with 450 already set to become members of the mutual.

This autumn in Lambeth, young people will become members of the Young Lambeth Co-operative (YLC) mutual, taking over the commissioning of up to £3.7m of young people's services, such as adventure playgrounds and youth clubs.

Rachel Heywood, cabinet member for children and families in Lambeth, is keen to emphasise the benefits of the mutual model to staff and young people. YLC will be established as a community-led mutual (see key points box), giving any local young person the chance to become a member.

MUTUALS - KEY POINTS

What is a mutual?

A mutual is a generic term to describe an organisation that operates for the benefit of its members, who are usually made up of staff or a local community. Mutuals can operate on a not-for-profit basis and plough back any money generated into its service, or distribute profit to its members.

What are the most common types of children's services mutuals?

Those that involve a private sector partner and distribute profit will tend to be a **company limited by shares**. Here, profits can be distributed as dividends to shareholders, and private firms can join as shareholders. This is the model adopted by 3BM in Hammersmith.

A mutual can also take the form of a **company limited by guarantee**, as in the case of Staffordshire's Evolve YP. This also allows members to receive any profit made. But with no share capital, it is less desirable for potential private sector partners.

Staff looking to set up a not-for-profit mutual with no intention of bringing in private sector partners can set up a **community interest company**. This is the model adopted by Sandwell Inspired Partnerships Services and Epic CIC in Kensington. It offers an "asset lock", meaning its assets cannot be distributed as profit.

The **community-led mutual** - such as Circle Crew for Change Limited and Young Lambeth Co-operative - opens up membership to all those who will benefit from its work and any profit has to be ploughed back into the service.

What government help is available?

The Cabinet Office runs the £10m Mutuals Support Programme to help with start-up costs such as legal and business support. It also has a 20-strong team of "mutual ambassadors" to provide more detailed advice. Call 0845 5390 543 or visit mutuals.cabinetoffice.gov.uk.



ISTOCK

So far, 1,500 local people, including 400 young people, have registered an interest in membership.

Heywood says: "We have an ambition that most of the 70,000 young people in the borough will join. Through membership they could be entitled to local discounts on activities such as leisure services." Its 14-strong board will include two young people who will be involved in business planning and public speaking, gaining accreditation for the skills they learn in the role.

Heywood admits that YLC's budget will decrease by 10 per cent each year but insists the creation of the mutual "is not about cost cutting." Nevertheless, there are potential savings to be made for local taxpayers as mutuals can access funding streams from the private and charitable sector more easily than a council. Launching in April, the Three Boroughs Mutual (3BM) estimates it will save local taxpayers around £1m over four years.

Mike Lawrence, cabinet member for children's wellbeing at Staffordshire County Council, is adamant that a mutual can however bring genuine benefits to both professionals and children. His county is host to Evolve YP, a GP-style social work practice piloted since 2009 that is planning to become a permanent mutual later this year.

Equal partners

The Evolve YP team supports a cohort of 165 children in care aged over 13 and care leavers, in the Newcastle and Moorlands area of the county. It operates a flat management structure with each member being an equal partner. "Staff retention is a huge issue in social work so part of the reason to do this was to offer staff more control over the work they do to improve their motivation," says Lawrence. "Since the pilot started, we have had just one member of staff leave and that was due to retirement."

Julie Moss, one of the Evolve YP partners, says the mutual structure has allowed staff to redesign support in the area to improve care for children and young people. "We run our own out-of-hours service that is 24/7 and have our own independent living area where young people can come," she says. "You just wouldn't normally get that level of support from a local authority."

Lawrence says the council is keen for Evolve YP to be put on a permanent footing beyond November when the pilot ends, due to the favourable response from staff and young people.

But Unison national officer for children's services Ben Thomas says the transfer of people with different terms and conditions of employment and pensions entitlements can cause a problem when establishing mutuals. "By creating a mutual, you are creating a two-tier workforce, with those coming over from

CASE STUDY: YOUTH SERVICES IN KENSINGTON

The youth services mutual that will be spun out of the Royal Borough of Kensington and Chelsea this April goes by the name Empowering People In Communities – Community Interest Company (Epic CIC).

Rather than being triggered by staff, however, it was conceived during a management away day in 2010, says Brendan O'Keefe, head of young people's services at the council. To foster a common sense of ownership of the mutual, he invited all youth services staff to help set it up. Teams were tasked with examining issues such as governance and income generation.

"Getting staff to see the benefits was the biggest challenge. There needs to be strong staff involvement. Without them it can't work," he says. They were also given the chance to veto the plans at a staff conference late in 2012 but support was unanimous, says O'Keefe, who will become the first managing director of Epic CIC.

The mutual has been set up as a community interest company. The 150 staff will each receive one share, redeemable when they leave. They also retain their council terms and conditions, and pension scheme entitlements. There are places for two young people on the organisation's board.

The mutual's ability to ensure youth services are maintained and handled by local staff was an argument used to persuade staff and young people.

"It was becoming clear that the model we've had in youth services for the last 15 years of central government grants and local government funding was coming to an end. If we wanted to keep running and innovating youth services we needed to come up with something different," O'Keefe explains.

Epic CIC will provide and run youth clubs, careers advice and guidance services, and programmes around adolescent health, sports, arts and culture and access to apprenticeships and enterprise schemes.

As well as providing all youth services in Kensington and Chelsea, it will continue existing contracts to provide certain youth services in neighbouring Westminster and Hammersmith & Fulham, as well as youth health education programmes for Kensington and Chelsea primary care trust.

EU directives require open competition for many local government contracts. Kensington looked at the detail of the EU directives around procurement and discovered it was possible to have a shortlist of one. "EU procurement directives are complex but not a showstopper," says O'Keefe. "We worked with our lawyers and found that the council could have only one invited supplier. You have to issue a notice that you are going to do that and you can be challenged. If you are challenged you have to withdraw the notice and have a competition."

O'Keefe visited all potential competitors who might object to council plans to hire the mutual including Capita, Serco and smaller local youth services providers. "I explained to them what we were looking to achieve and they were very positive. They could also see that there was potential to get involved with us on projects in the future."



Staff unanimously supported the creation of Epic CIC

the council on a different and better set of terms than new recruits. This is likely to cause tension," he warns.

Association of Directors of Children's Services vice president Andrew Webb has concerns about the long-term commercial viability of small staff-led children's services mutuals. He says these will be reliant on short-term council contracts and vulnerable to being taken over by larger, private sector companies.

"Already in areas that have been outsourced, such as school inspection

support, there are only a few main suppliers now, when many smaller companies were doing this. It is the same with children's homes," Webb says.

Whatever the teething troubles and deeper-rooted concerns, children's services mutuals are in their infancy. Critics, advocates and neutrals will all be keeping a close eye on whether they can fulfil their promise of giving children's professionals and young people genuine control over local services. ■