

# 0513

## **ENTERPRISE SOLUTIONS**

NEW APPROACHES TO  
COMMISSIONING AND PUBLIC  
SERVICE MUTUALS: LESSONS  
FROM CO-OPERATIVE COUNCILS

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2020 Public Services

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# Contents

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Author	3
Acknowledgments	3
Executive summary	4
1. Introduction	6
2. Aim of this report	8
3. Research methodology	11
4. Research findings	12
1. The distinctive features of co-operative approaches to commissioning	12
2. Co-operative commissioning: A solution to 'reactive mutualisation'	16
3. Managing the mutualisation process	20
5. Discussion	25
6. Recommendations	29
References	31
Glossary	33

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# Executive summary

Central government and local authorities are recognising that new and more strategic approaches to commissioning are vital for ensuring the long-term sustainability of public services and driving better outcomes for citizens. Councils are exploring new ways of meeting the needs and aspirations of their residents, including a stronger role for new providers such as social enterprises and public service mutuals.

A growing number of local authorities are adopting a co-operative approach to local government, supported by a national Co-operative Councils Innovation Network. While their approaches are distinctive, these local authorities are seeking to transform the relationship between citizens and the council, create a stronger sense of civic responsibility and collective self-help among residents, and drive social innovation in public services. As part of this they are exploring more co-operative approaches to commissioning that maximise social value, prioritise outcomes and deliver services in partnership with citizens.

As social value gains currency and cost-based and process-driven commissioning and procurement are increasingly challenged, many expect organisations such as public service mutuals to flourish. Yet progress has been slow and even as commissioning starts to become more strategic and innovative, most councils have not given a high priority to spinning out their public services. To gain a better understanding of new approaches to commissioning and how public service mutuals might meaningfully sit within them, this short qualitative report looks at the experiences of three co-operative local authorities at the forefront of change – Lambeth, Oldham and York councils. The research involves in-depth interviews with six senior managers and officers, and the key findings include:

- **Co-operative approaches to commissioning are distinctive**, in some cases going a lot further than most councils' approaches to 'strategic commissioning'. Unique features include:
  - Prioritising social value, not just cost
  - Putting citizens and co-production at the centre of commissioning
  - Thinking beyond service structures and investing in outcomes
- **Co-operative commissioning offers a solution to reactive mutualisation**. Rather than spinning out services as an ad hoc response to fiscal and management objectives, co-operative commissioning can help ensure evidence and input from service users, citizens and staff drive decisions to consider spinning out a service.
- **Managing the mutualisation process is key**. Mutualisation can offer real value – but the process needs to be skilfully managed. In the right setting public service mutuals can unlock the creative potential of services and generate social and economic benefits for communities. However, the spinning-out process itself can be extremely challenging and difficult, and ensuring the spun-out

service can survive and grow as an independent provider comes with its own sets of challenges. Successfully spinning out a service to form a sustainable enterprise requires:

- Culture change and upskilling
- A new approach to risk
- Strategies for meeting complex challenges and finding solutions to potential barriers.

## Recommendations

Based on the research findings, this report makes the following recommendations to national and local policymakers.

- **Shift the starting point for considering service mutualisation.** The key drivers of mutualisation should not be short-term fiscal or management objectives. Spin-out proposals should be supported by a strong social value case that begins with the aspirations of citizens, staff and local stakeholders.
- **Think beyond service structures.** Commissioning for outcomes does not simply have to mean choosing service providers. Councils can also choose to invest in activities such as strengthening social networks and brokering more affordable energy or finance for local people.
- **Develop risk-aware, rather than risk-averse, leadership.** Innovative commissioning requires policymakers, senior managers and commissioners to be more willing to take measured risks.
- **Stimulate bottom-up demand for innovation.** Despite policy efforts, public sector staff and citizens have shown limited interest in exploring mutualised models of delivery. Central government and councils need to think more creatively about how they might incentivise staff and citizens to drive change in public services.
- **Develop an effective incubation and support capability.** National government and local authorities should do more to incubate and support public service innovations such as mutuals, for example by brokering specialist and bespoke support to promote rapid business development and capacity building for fledgling mutuals.
- **Councils should play an active role in market development and create a level playing field for smaller providers.** Commissioning for social value and outcomes will need innovative approaches to engaging with providers and designing public service contracts. This can include developing constructive relationships with providers, creating more flexible contracts without tight service specifications, exploring new vehicles such as social impact bonds (SIBs) and building social value into procurement.

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# 1. Introduction

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*Rather than simply budget-slicing services or managing decline, they are fundamentally rethinking the way they deliver services and use public money*

Local government faces an uncertain future. According to some predictions, a combination of public spending cuts and rising demand for services will leave many councils facing funding gaps so large that there will barely be enough resource to provide basic statutory services.<sup>1</sup> And yet local authorities across the country are demonstrating resilience and, in some cases, real innovation in responding to these pressures. Rather than simply budget-slicing services or managing decline, they are fundamentally rethinking the way they deliver services and use public money.

## **New models for commissioning local services**

### **Strategic commissioning**

We are seeing a range of models emerge for commissioning local services, with many councils moving towards a ‘strategic commissioning’ approach – focusing on commissioning for outcomes (such as improved economic well-being and quality of life) rather than outputs and balancing cost with social value.

For some local authorities this has meant playing an ‘enabling’ role by stepping back from the direct delivery of services and growing the independent provider market. National policy is certainly moving in this direction. Building on the public service reform agenda of the previous government, the coalition government is actively encouraging a stronger role for third sector organisations, social enterprises and public service mutuals in the delivery of public services.<sup>2</sup> It is also seeking to promote more innovative and outcomes-based commissioning through the newly established Commissioning Academy. The Social Value Act (2012) has also placed a duty on commissioners and procurers to consider social value when procuring services.

### **Mutualisation**

The Cabinet Office is championing mutualisation and has a target of seeing one million public sector staff form independent mutuals (or ‘spin-out’ services) by 2015. It has also launched a Mutuals Taskforce, a Mutuals Information Service (MIS) and a Mutual Support Programme for aspiring spin-outs. Yet some practitioners and experts have argued that, without a radical change to procurement law and processes, most mutuals will have difficulty competing against large established organisations with strong financial track records.

1. For example, see Local Government Association (2012)
2. Cabinet Office (2010)

### **Co-operative commissioning**

A growing number of local authorities are adopting a co-operative approach to local government, supported by a national Co-operative Councils Innovation Network. While each council's approach is distinctive and the degree of policy integration with co-operative principles varies, it can be argued that, at the most fundamental level, these local authorities are seeking to transform the relationship between citizens and the council, create a stronger sense of civic responsibility and collective self-help among residents, and drive social innovation and corporate social responsibility (CSR) in public services. Many co-operative local authorities are beginning to see commissioning through an entirely new lens, no longer conflating commissioning with procurement and ensuring that co-production and local social and economic value – not just cost or managerial imperatives – are the key drivers of co-operative commissioning decisions.

#### **Different approaches to the role of public service mutuals**

There is a range of approaches to the role that public service mutuals do or should play in co-operative approaches to commissioning.

Lambeth's original interest in diversifying the provider market has evolved into a model of local government that focuses less on delivery models and more on how outcomes are achieved and the role played by citizens in the commissioning cycle. Oldham Council defines its approach as encompassing a co-operative spectrum, of which considering new delivery models such as mutuals is one element, but not a central focus. While York Council's co-operative approach is at an early stage of development, it is also not focused around public service spin-outs.

Nevertheless, each of these three councils has explored different delivery models for key service areas. Lambeth's 'early adopters' programme has supported a number of spin-out projects, including its resource centre; Oldham is developing an arms-length trading company for adult provider services, and York Council is ambitiously pursuing the mutualisation of its entire libraries and archive service, set to be the first libraries and archive service mutual in the country.



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## 2. Aim of this report

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Given the range of council perspectives on the role that public service mutuals could play within co-operative approaches to commissioning, this short, qualitative report reflects on the following broad issues, based on research interviews with senior officers and service leads from Lambeth, Oldham and York councils:

- Co-operative commissioning – what it means and how it is different to other approaches to commissioning and procurement.
- How public service mutuals sit within co-operative approaches to commissioning, including considering the best drivers for mutualisation and the barriers to spinning out services.
- The direct experiences of Lambeth, Oldham and York councils with new delivery models, including the experiences of Lambeth Resource Centre and York’s libraries mutualisation programme.
- The tensions and opportunities that may exist between co-operative commissioning and the mutuals agenda.
- How public service mutuals can be supported to play a meaningful role in co-operative commissioning and public service delivery.
- The implications for local government and national policymakers.

Spinning out a service can be an extremely difficult undertaking with a number of barriers to success. While this report will touch on some of these thornier issues, the accompanying study by Hazenberg and Hall (2013a) will explore them in greater detail.

### **About the local authorities**

**Lambeth Council** is one of the pioneers of the co-operative approach to local government. The council set out its vision for a co-operative way of working in the final report of its Co-operative Council Commission, which laid out a series of recommendations for rebalancing the relationship between citizens and the council, putting residents at the heart of council services and giving them a more direct role in influencing, delivering and co-producing public services. In order to put co-operative thinking into practice, the Commission also recommended launching a wave of ‘early adopter’ projects for implementing co-operative models of delivery, including co-operatives and mutuals.

Based on the learning from these projects and the broader experience of the council’s co-operative implementation, Lambeth is now focusing on ‘co-operative commissioning’ as its core operating model. It is putting its citizens at the heart of the commissioning cycle and looking beyond costs and ‘value

for money' to put greater emphasis on the social costs and benefits of different ways to run services.

Lambeth Resource Centre is one of the council's 'early adopter' projects for new ownership models of delivery. It is a day centre that provides services to residents with physical disabilities, and is in the process of spinning out of the council to become an employee-led mutual.

**Oldham Council** is a leading co-operative council that is transforming the borough along co-operative lines, drawing on what it calls a 'whole system approach'.

The council's key areas of focus are around transforming the citizen-council relationship, spreading co-operative principles across council and borough, devolving power to communities and local councillors, and using its influence as a community leader to campaign on behalf of local people on issues as diverse as the living wage, energy prices, transport costs and fair finance. The council is currently establishing an arms-length trading company to deliver the provider services element of its adult social care services.

**City of York Council** is relatively new to thinking about co-operative council approaches, but its aspirations to become a more co-operative local authority are clear. It will soon be launching a co-operative commission to develop a distinctive co-operative model for the city. Reflecting its co-operative ambitions, the council is in the process of spinning out its entire libraries and archive service on a community benefit society model. This is set to be the first mutualised libraries and archive service in the country.

### **Co-operative commissioning**

Co-operative commissioning is an approach that puts citizens and outcomes at the centre of commissioning and creates stronger relationships between key stakeholders. It looks beyond cost and 'value for money' to put greater emphasis on the social costs and benefits of different ways to run services.

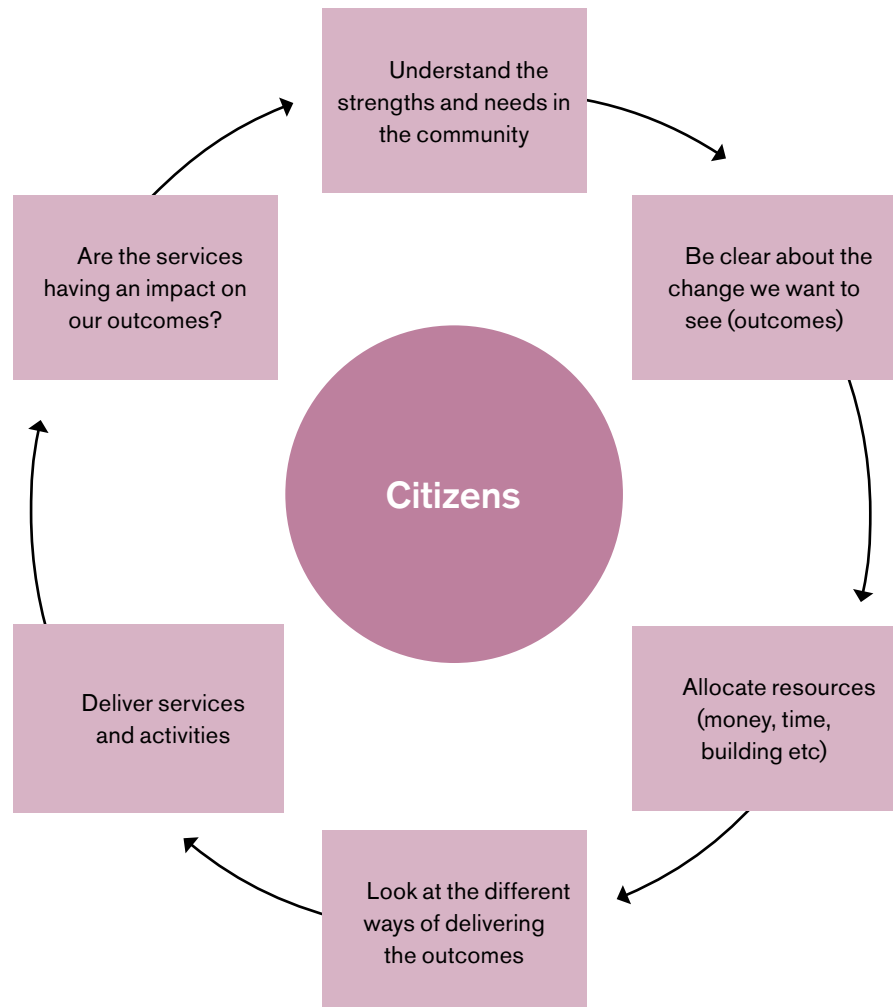
This report uses the term 'co-operative commissioning' to describe and analyse diverse approaches (with common elements) to commissioning, as well as future aspirations for commissioning, from co-operative councils, and does not refer to a single unified model.

## Co-operative models

Oldham's 'Whole system' approach

Co-operative Approach		Co-operative Services	
<p><b>Working in line with co-operative values and principles</b></p> <p>eg paying our staff the Living Wage, so that no one who works for the council full-time earns less than the local cost of living.</p>	<p><b>Residents actively informing decision-making</b></p> <p>eg giving local community network NEON the opportunity to help decide how we award grants to voluntary groups in East Oldham.</p>	<p><b>Co-producing services with communities</b></p> <p>eg leasing Fulwood Nature Reserve to a community group for a nominal fee, so they can refurbish the reserve and install community gardens, allotments, and sports facilities for local people to use.</p>	<p><b>Services delivered through co-operatives and mutuals</b></p> <p>eg using different methods of service delivery, including opportunities for staff and service users to deliver services on behalf of the council through employee-owned co-operatives and mutuals.</p>

Lambeth's co-operative commissioning cycle



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# 3. Research methodology

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This reflective study is based on the data and findings of semi-structured interviews carried out with six senior managers or officers in Lambeth, Oldham and York councils, with the average interview lasting 40 minutes. Despite the short sample size, the qualitative methodology was highly valuable for unpacking and reflecting on a range of complex issues around co-operative commissioning and mutualisation in an in-depth way. The interviewees were:

- Anna Randle, Co-operative Implementation Lead at Lambeth Council
- John Bennett, Quality Assurance Manager for Policy, Equalities and Performance at Lambeth Council
- Keith Edmondson, Manager of Lambeth Resource Centre
- Ben Spinks, Assistant Executive Director at Oldham Council
- Fiona Williams, Head of York Council's Libraries and Archive service
- Alice Beckwith, Lead Officer for Co-operative Councils at York Council

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# 4. Research findings

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## 1. The distinctive features of co-operative approaches to commissioning

With many local authorities across the country en route to becoming ‘commissioning councils’, several participants argued that co-operative commissioning was distinct from other councils’ approaches to strategic commissioning.

### From compulsory competitive tendering to strategic commissioning

Strategic commissioning emerged in the context of Labour’s ‘best value’ reforms as a response to the limitations of compulsory competitive tendering (CCT). It sought to replace the process orientation and contract fixation of CCT with a stronger outcomes-based approach and an explicit recognition of the distinction between procurement, or the purchase of services, and commissioning, which is commonly defined as ‘the cycle of assessing the needs of people in an area, designing and then achieving appropriate outcomes’ and includes procurement as one element.<sup>3</sup>

Strategic commissioning is ‘provider neutral’ and involves community or service user engagement in needs analysis, as well as a strategic approach to planning and monitoring service delivery and shaping public service markets, with a view to achieving locally valuable outcomes. It has also been influenced by the place-shaping and ‘Total Place’ agendas of the previous government, which focused on the local co-ordination of resources and complex service delivery partnerships as an alternative to simplistic delivery menus comprising in-house or outsourced provision.<sup>4</sup> While it abolished the centralised performance frameworks and targets of the previous government, the coalition government has also emphasised the role of strategic commissioning, and a liberalised supply side of delivery in particular, in meeting the needs and aspirations of local communities.

### Co-operative commissioning is about values, not just cost

Co-operative commissioning shares many of the core characteristics of strategic commissioning approaches. For example, it supports outcomes-based approaches and puts citizens at the heart of the cycle of assessing community needs and monitoring and designing services. Yet participants also identified several distinctive features of co-operative commissioning. Firstly, it is not simply about achieving ‘value for money’ as traditionally understood, but involves a deeper examination of what value *means* to

3. Bovaird and Rhodri (2011)

4. White (2012)

local communities and how it relates to the outcomes they want to see. This contrasts with councils that view strategic commissioning primarily as a useful means of driving cost out of services.

In Lambeth we're trying very hard in thinking about connections between different outcomes and the wider social value activities can generate ... I think that does drive us into a slightly different place ... our commissioning isn't driven by cost alone ... a lot of councils that are fashioning themselves as commissioning councils are basically doing this as a way to drive cost out of the service ... we're saying commissioning is a way of helping us achieve a better use of resources, but also enabling us to generate the most value out of those resources, and that's both social and economic.

**Senior officer, Lambeth Council**

Co-operative commissioning is also informed by core co-operative principles such as social innovation, community self-help and local growth and enterprise. This has taken co-operative councils beyond cost-driven procurement and commissioning. For example, by embedding social value and CSR into its tendering specifications, and being guided by a defined ethical framework, Oldham Council is likely to prefer providers that support the local labour market and encourage staff to volunteer, over large established private firms whose only competitive advantage is delivering a low-cost service at scale. This signals a shift away from a commissioning approach that is largely dictated by managerial priorities to one that is shaped by community leadership and is perceptive to the impact of commissioning and procurement on local communities.

One of the things our co-operative agenda is very much about is an ethical framework and an enhanced approach to CSR ... part of the way that plays out in commissioning and procurement terms is developing a set of social value outcomes that we build in to how we evaluate organisations that want to work with us. For example, do they pay a living wage? Do they commit to delivering a certain set of apprenticeships for local people? Do they commit to a certain number of hours of volunteering for their staff? We're developing a broad series of measures of social value to support this.

**Senior officer, Oldham Council**

*Another key distinguishing feature of co-operative commissioning is the centrality of co-production*

As a co-operative commissioning council, we'd be very different to other so-called commissioning councils. We wouldn't, for example, just outsource large swaths of services to drive down cost ... any potential contract will have a strong social value element to it.

**Senior officer, Lambeth Council**

### **Citizens are at the heart of commissioning**

Another key distinguishing feature of co-operative commissioning is the centrality of co-production. In Lambeth, citizens and communities will be involved at every stage of the commissioning cycle – from reviewing activities and services to formal options appraisals to making decisions

on re-commissioning or decommissioning services. There is a recognition that ‘sectional capture’ is always a risk in participative democracy, and therefore the council is seeking innovative ways to engage all communities at various levels, in multiple ways, drawing on a diverse set of methodologies including ethnographic research, service user councils and social network analysis.

The Young Lambeth Co-operative (YLC) presents an example of an innovative model for co-productive, community commissioning. The YLC is set to become an independent, multi-stakeholder co-operative made up of young people, parents and citizens that will commission and co-ordinate a number of children and young people’s services. Lambeth interviewees described the YLC as a ‘go-to’ group for community expertise that will help commission young people’s services more effectively. In Oldham, too, the council is seeking to help citizens get more actively involved, for example by systematically engaging local people in the budget setting process, consulting on specific budget proposals with service users and others, but also engaging in a series of big budget conversations which allow residents and local third sector and community groups to consider and respond in detail to all the budget proposals the council is considering.

The fundamental difference between co-operative and strategic commissioning is that citizens have a key role at every stage of the commissioning cycle. Lambeth’s commissioning cycle is the same as everyone else’s, but the difference is residents have a role in every step of the cycle.

**Senior officer, Lambeth Council**

While conventional strategic commissioning approaches provide opportunities to engage service users and citizens, co-operative commissioning aims to identify and leverage communities’ local expertise and support them to become ‘citizen commissioners’ in their own right.

Mutualised services typically have service users and community stakeholders firmly embedded within their governance structures. They may, therefore, be ideally placed to support community commissioning, but one participant did caution that, even with staff-led mutuals, there is no guarantee against ‘producer capture’, or the goals of the service reflecting provider interests and not the public they set out to serve.

### **Co-operative commissioning looks beyond services**

Finally, perhaps the most radical and challenging departure from traditional commissioning is the broadening of the council’s commissioning gaze beyond ‘services’ as conventionally understood. In achieving an outcome, councils and communities may decide that, rather than commissioning a specified service from a provider through a formal procurement exercise, they may instead choose to commission or invest in a *set of activities* that could help achieve that outcome.

This would be supported by a fundamental shift from commissioning on the basis of need to commissioning that is informed by mapping both needs and assets. By identifying the latent social resources available within communities, councils can invest in providing an infrastructure of support that can translate these assets into tangible outcomes and new forms of social and economic value. This may be defined as strengths-based

commissioning. This type of commissioning can harness community strengths to build a mixed economy for achieving outcomes, comprising formal service provision alongside broader activities including, for example, strengthening social networks, promoting behaviour change and building social economies of place. The aim is also to build community capacity and networks so that citizens are able to take a greater role in delivery themselves.

Whereas commissioning was previously based on a needs assessment, we recognise ... [that] there's a needs element, but there's also an asset element; it's about mapping assets that relate to a particular outcome and taking serious consideration of this during options appraisals.

**Senior officer, Lambeth Council**

Rather than allocating certain amounts of resource to a service, to some contract with a provider ... the asset identification, which would happen earlier in the commissioning cycle, would indicate that a more preferable option might be to support a set of activities in the community, which you wouldn't normally define as a service. This might be things such as building social networks, encouraging social interaction between neighbours, and behaviour change ... This would be a legitimate option on the table for commissioners.

**Senior officer, Lambeth Council**

We are developing an approach to commissioning to make sure what we are commissioning is outcomes rather than particular services.

**Senior officer, Oldham Council**

Oldham Council in particular has focused much of its energy on moving beyond a narrow service orientation, using its commissioning and spending power and community leadership role to try to build resilience in response to cuts, welfare reforms and the challenges of social and economic disadvantage. As part of what it calls its 'campaigning' approach, the council has launched a fair energy scheme that enables residents to collectively switch provider and bulk-buy energy at reduced cost. Nearly 9,000 households signed up to its first auction, with an average saving of £171.

Similarly, through its Fare's Fair campaign, Oldham has worked with the local bus service provider to broker a 28 percent reduction in the cost of many bus tickets. It is therefore expanding its role in areas that may not be the council's statutory responsibility but that do deliver real outcomes for residents. In turn, this may have systemic effects – for example helping the council manage future demand. One example of this stronger outcomes focus is the council's historic fuel poverty investment agreement with public sector partners such as the clinical commissioning group and registered social landlords. Each partner in the agreement has invested core funding to help tackle fuel poverty, for example by implementing insulation and energy efficiency measures. The savings made across the system, such as through fewer A&E admissions, are then redistributed among partners, creating an incentive to look beyond organisational boundaries.



The campaigns and the fuel poverty investment agreement signal a new approach that is about more than just ensuring that quality services are delivered and statutory responsibilities are met. It is about using our actions and our influence to deliver outcomes which will make a real difference for local people.

**Senior officer, Oldham Council**

Interestingly, the freedom and flexibility afforded to public service mutuals could enable them to support this shift in emphasis. By becoming independent enterprises and diversifying their funding streams and range of activities, spin-outs could potentially become local incubators of outcomes and social innovation, rather than merely contracted providers of services. In York, the libraries and archive mutualisation programme is anticipating that spinning out will provide it with opportunities to re-imagine the libraries and archive service as a ‘knowledge hub’ or an ‘explore community hub’, with a chance to create partnerships with universities, museum trusts and other organisations, and to engage in a much wider set of activities facilitated by business opportunities beyond the council contract.

Mutualising the libraries and archive service can unleash its creative potential and help provide a positive vision of what a future library looks like, building on our existing innovations such as the Explore Centre.

**Senior officer, York Council**

## **2. Co-operative commissioning: a solution to ‘reactive mutualisation’**

### **Reactive mutualisation**

Despite government policies to empower public sector staff to drive new models of service delivery, the general experience of spin-outs in the UK indicates that they are often management-driven reactions to spending cuts. This is usually a way of avoiding outsourcing a service and retaining a degree of staff control and ownership (Hazenberg and Hall 2013b).<sup>5</sup> In contrast, co-operative local authorities, such as Lambeth, have explored the potential for mutuals to rebalance the relationship between the council and citizens, create new types of value for local communities, and develop more bottom-up, frontline-driven public services. While austerity has shaped the pace and context of spin-out projects in Lambeth, it has not been the central driver. This suggests a more suitable starting point for considering supply-side innovation: one that is influenced by a coherent political and corporate vision.

Spinning a service out can’t just be a knee-jerk reaction to short-term considerations; it needs to be informed by a long-term strategy.

**Service lead, Lambeth Council**

5. Hazenberg and Hall (2013b)

In Lambeth this vision was shaped by a political ambition to transform the relationship with citizens, as well as a recognition that commissioning decisions should consider the relative merits or limitations of different types of service delivery vehicles in achieving different types of outcomes.

Our approach was about having a different relationship with citizens and not commissioning blind to the point of delivery – so the delivery vehicle was considered an important element in the decision-making process about how to achieve the outcomes.

**Council interviewee**

### **Shifting the focus to the strategic drivers of mutualisation**

The council's evolving approach to commissioning is focusing less on particular delivery models and more on the outcomes that can be achieved.

We're now thinking about what the right drivers of mutualisation should be ... Our approach is not really about the best option for the delivery of a service necessarily, but the best method for the delivery of an outcome – a service is but one means of delivering an outcome ... the co-operative commissioning cycle is now the driver of all the council's thinking and activity. Through the commissioning cycle you'll get to a place about how you achieve an outcome – and that's the options appraisal bit of it. Within there you might look at different delivery mechanisms (for example, spinning out, outsourcing, etc) The thinking is that the spin-out option is appraised in the same way as all of the other options ... What that does is change the emphasis and remove any presumption to a certain type of organisation ... and move it back towards 'we think this is the right option because it can deliver on outcomes'. While it may be that how you deliver something is as important as what you deliver – that is, organisations like mutuals might be better at achieving a wider set of outcomes, this has to be driven by what you are trying to achieve and the evidence about how best to do it.

**Senior officer, Lambeth Council**

By removing any presumption towards a particular model of delivery, Lambeth has shifted its attention to the drivers of mutualisation – in other words, the factors that may make spinning out a desirable option. Mutualisation is now considered one possible option that may or may not be suitable for a particular service or outcome, with the decision being driven by the commissioning cycle, and in particular its options appraisal phase. Underpinning this is an expectation that any case for spinning out is supported by an evidence base and informed by a clear purpose and vision. This links spin-out proposals more tangibly with the council's emerging outcomes framework and ensures a strategic fit between a spin-out proposition and the council or local community's broader objectives and aspirations. Although it may be the case that commissioning for social value outcomes will suit certain types of organisations (such as mutuals) that might be better at achieving wider outcomes, the key point is that decisions about service delivery will be shaped by a clear strategic purpose and informed by evidence. Rather than reactively spinning out in

response to public spending cuts or ideological presumptions, this favours a more ‘whole system’ approach that sees mutualisation as one possible path to achieving co-operative objectives.

It isn’t necessarily about mutualising services – this is just one possible option. For Oldham, being co-operative is a whole system approach which encompasses everything we do, from the way we treat our staff to the way we tackle youth crime. We think of this as a spectrum of co-operative working. At one end of the spectrum, the focus is on embedding a co-operative approach by reflecting the values of co-operative working in what we do – for example, by paying the living wage or building social value into our procurement approach. As we move through the spectrum, we begin to focus on the role that residents can play in influencing the way that public services are run, perhaps even delivering those services in collaboration with us. It’s only at the far end of the spectrum – and therefore only one element of what we do – that we’re looking at co-operative delivery mechanisms such as mutuals.

**Senior officer, Oldham Council**

The starting point shouldn’t be the model of delivery, but the outcomes you want to achieve, and then thinking about how these are met – third sector, private sector, in-house, mutual?

**Senior officer, Oldham Council**

York’s co-operative approach isn’t just about mutuals. It’s more importantly about linking with communities and changing the relationship between residents and the council so that it’s more equal and less prescriptive. We’re thinking about a more whole system approach to co-operative transformation, in a similar way to Oldham.

**Senior officer, York Council**

Most participants were keen to emphasise that new service delivery models such as public service mutuals were not a ‘central focus’ or priority for their co-operative transformation programmes, even though they may play an important role in local services. This highlights the councils’ aims to selectively utilise spin-outs as a means to an end – as a way of achieving a certain set of outcomes in specific contexts on the basis of an evidence-based business case. This contrasts with the government’s view of the creation of ‘open public services’ as an important end in itself.

### **Reciprocating council support**

Some participants pointed out that the process of spinning out requires significant investment from the council. This can include financial support, officer and staff time and various types of external business support, as well as significant emotional investment and complex internal negotiations, which sometimes leads to long, drawn-out and ultimately unsuccessful projects, even in small-scale spin-out programmes. Because public money is essentially being used to incubate aspiring enterprises that will eventually become independent of the council, it is crucial that a spin-out is able to reciprocate this support. This is seen in terms of

*Mutuals need to distinguish themselves from the private sector or other providers competing in the market*

demonstrating from the proposal stage onwards that it is distinguishable from other potential providers by creating added social value or achieving a wider set of outcomes.

Given the amount of work and resource that goes into supporting the spin-out, in order for this to be legitimate there's got to be some serious thinking about why a service should mutualise ... what's the purpose ... what's the difference between them mutualising and just becoming a private sector organisation that competes in the marketplace? If you want your proposal supported with public money ... there has to be some sort of payback for the council ... we can't just incubate businesses without a social return. Mutuals need to distinguish themselves from the private sector or other providers competing in the market.

**Senior officer, Lambeth Council**

**Market making for social value**

Several participants argued that co-operative councils should not, therefore, hold a presumption towards service spin-outs or any particular delivery model. Instead, as part of their commissioning process, they should focus on outcomes and actively engage in market testing to compare different provider options. The key challenge here is building an options appraisal process that enables a council to assess the relative merits of various options and make complex choices, shaped not only by financial considerations but also co-operative values and broader strategic and community objectives. Part of ensuring provider neutrality in a co-operative context necessarily involves 'market making' – building social value into procurement processes and ensuring a level playing field between large private organisations and smaller enterprises or third sector organisations. In Oldham, for example, the council broke down tenders for its Building Schools for the Future project into smaller blocks so local companies or consortia of small companies were more likely to be able to successfully bid for them. The council is also building social value and CSR principles into its tendering specifications, ensuring that providers pay their employees the living wage and contribute to stimulating the local economy, for example by employing local people or offering apprenticeships.

In terms of procurement, we're in the process as well of looking at how we can build social value considerations and give them greater weightings within our tender specifications and procurement approach ... one of the things our co-op agenda is very much about is an ethical framework and enhanced approach to CSR ... part of the way that plays out in commissioning and procurement terms is having a set of social value outcomes that would be supportive of CSR that we build into how we evaluate organisations that want to work for us ... for example, do they pay a living wage? Do they commit to deliver apprenticeships for local people or train people in a certain way? Do they commit to a certain number of hours of volunteering for their staff? We're developing a broad series of measures of social value which we can build into our specifications.

**Senior officer, Oldham Council**

### 3. Managing the mutualisation process

Mutualisation can offer real value – but the process needs to be skilfully managed.

#### **The transformative potential of mutuals**

The experiences of the Lambeth Resource Centre and York's libraries and archives mutualisation programme suggest that there can be a meaningful 'fit' between public service mutuals and core co-operative principles. The managers of these services were keen to argue that stepping out of direct council control would bring tangible benefits for their service and the communities they serve. They saw this as partly due to the fiscal context, but also because stepping out of the public sector would provide opportunities for greater flexibility, more local responsiveness and the freedom to grow and create new partnerships and activities beyond the core service, thus potentially generating a wider set of social and economic benefits than in-house provision would allow.

For many years, what we've been trying to develop is a community engagement model at the core of our service. We've been successful in some important respects, but parts of this ambition have been held back because we're a local authority service. So, for example, getting funds and grants to develop the service further has been extremely difficult ... I've always believed we could run the service much more efficiently and effectively if we didn't have the constraints of the council bureaucracy and red tape to overcome. Becoming a social enterprise will allow us to become much more innovative and integrated into our local community. Furthermore, being an independent organisation will allow us to apply for additional grant funding which is not available while we remain within the local authority system.

**Service lead, Lambeth Council**

For me, [a public service mutual] has become an obvious way to provide libraries and archive services. It lends itself very well to working more strongly with staff and the community, as equal partners – it seems to me a much better model for a library than being under direct political control, because libraries, by their nature, are neutral, community spaces. It also means we can provide a professional service without handing over control directly to communities – we can work with communities but still provide a professional service that can create tangible social and economic benefits ... As it mutualises, the service will be freer to act, will be more responsive, will be able to cut through bureaucracy and build new income streams, and carve out its own distinct identity, and focus on pursuing its business objectives, rather than being drawn into council 'business'.

**Service lead, York Council**

The manager of the Lambeth Resource Centre identified several ways in which mutualising might create a better, more co-operative service and a more sustainable model of development. Business planning indicated that, by stepping out of the council, the centre would be able to diversify the services it provides, as well as its revenue streams – allowing the service to raise private sector income and support service users in new ways, for example by helping them set up micro-enterprises. At a time

when many local authorities are replacing day centre services with direct payments to service users, mutualisation will allow the centre not only to buck this trend but also to provide a more ambitious offer.

Similarly in York, stepping out of the council will give greater flexibility to develop a community hub or ‘knowledge trust’ model that allows the service to create stronger linkages with universities, York Museums Trust and other stakeholders. This could potentially help develop a local social economy of learning that will enable service users not only to ‘access’ knowledge but also to help create it.

The aforementioned examples suggest that public service mutuals can be congruous with co-operative council objectives, particularly with respect to:

- Transforming the relationship between citizens and services
- Delivering social innovation in the face of cuts
- Creating local value
- Commissioning on the basis of community strengths and assets (not just needs), and value-creating activities, not just formally constituted services.

There’s a strong third sector and social enterprise tradition in York, starting with Joseph Rowntree. The council’s co-operative approach builds on this culture, and mutualisation sits well within the council’s changing role – we have got strong political and senior management buy-in. As councils take on a greater commissioning role, there will be less emphasis on their direct frontline delivery role, and more on their policy and political leadership role in providing support and vision for a plurality of other organisations, including mutuals, at the front line.

**Service lead, York Council**

### **The need for culture change and upskilling**

There is a clear need to embed co-operative council and co-operative commissioning ideas more firmly into the practices and real-life experiences of staff, providers and service users. Participants argued that significant culture change was necessary, particularly within commissioning and procurement, but also more widely across the organisation.

Despite the rhetoric of strategic commissioning over the years, a couple of participants held the view that many commissioners still found it difficult to systematically assess service user needs, and to sufficiently consider the outcomes of value to local communities. This often resulted in designing large contracts based on cost alone.

While co-operative commissioning offers opportunities to create a more effective and holistic commissioning cycle, this will require a concerted effort in culture change and staff upskilling – both within the council and the mutualised service.

We need to build outcomes-based services reflecting real-life experiences of our users ... some of the problems we have is people who are not on the front line dealing with the day-to-day issues, making decisions based on desktop information. There needs to be some real learning from our experience [of] moving from local authority to an independent organisation, and a fundamental shift around how services in the future

are commissioned. One of the things commissioners should be good at is knowing where the gaps are in service areas and how these gaps can be filled by different models of delivery.

**Service lead, Lambeth Council**

I think culture change is absolutely vital. There is a huge challenge for mutuals in moving from a local government culture to an independent business culture where people can't hide behind things and people have to step up. It's a very different culture and may require a different mix of staff and skills. For example, we will need to build new skills we don't currently have as an in-house provider, such as financial management and business capabilities.

**Service lead, York Council**

### **A new relationship with providers**

Some participants said that, in order for these limitations to be addressed in a co-operative commissioning context, there must be a new type of relationship between the council and providers. They felt this should include more creativity and flexibility in designing contracts and service specifications in collaboration with mutual providers. Putting effective, outcomes-based commissioning into operation also required being adept, perhaps through councillors' roles as 'community connectors', at exploiting the spin-outs' rich networks of community and service user relationships to inform the commissioning cycle. This would also help to leverage the added value public service mutuals can offer the council.

One thing we've said to the council is that we don't want a service specification that echoes the 'same old, same old'. We want a service specification that really details outcomes.

**Council interviewee**

### **A new approach to risk and better forms of support**

There was a recognition that spinning out successfully and creating new commissioning relationships also requires councils to redefine risk and examine internal processes and infrastructures of support available to prospective spin-outs. All too often sections of the council are risk-averse, whereas the current context demands a new approach to risk – one that sees risk as a positive challenge. Lambeth Council describes this as the need to develop 'risk aware' as opposed to 'risk-averse' leadership and commissioning. This is closely connected to the need for councils to be more effective incubators of service innovations such as mutuals. This is especially crucial given how difficult, protracted and uncertain the spinning out process can be.

We need risk aware leadership in the council. This means being prepared to take a risk, but also being aware of what could happen – so taking a measured risk. So, for example, this might mean awarding a contract and waiting for a challenge to come in rather than not going ahead thinking there will be a challenge, while also being aware and prepared for potential issues that may emerge.

**Senior officer, Lambeth Council**

One of the council's biggest challenges is being responsive to proposals from staff or citizens about spin-outs ... but spinning out and doing things differently is still really hard work, so there's a cultural and organisational challenge here in responding to organic ideas.

**Senior officer, Lambeth Council**

One of the biggest risks is too many people being risk-averse: the biggest risk is not doing this [spinning out], because that would mean we would be closing libraries.

**Service lead, York Council**

*The biggest challenge of spinning out has been the sheer amount of work it takes, and often a lack of capacity to do it*

The biggest challenge of spinning out has been the sheer amount of work it takes, and often a lack of capacity to do it. It's a huge piece of work, it really is. It's essentially recreating a service and separating yourself from the council, so the amount of work shouldn't be underestimated. The council support services (HR, finance, planning, audit, etc) have been helpful, but it's also been very challenging for them. There would be a lot of value in building a support capacity within the council suitable for the new commissioning and delivery landscape, and the changing role of local government.

**Service lead and senior officer, York Council**

We've had a consultant working with us for the past year and a half. She's been battling at a high level trying to engage with officers and councillors so that they understand the need to become less risk-averse. It is often hard work as the decision-makers (commissioning and procurement) often become barriers to change.

**Service lead, Lambeth Council**

### **Meeting the complex challenges of spinning out**

Participants suggested that, even with significant council support and investment, spinning out comes with a complex set of challenges and pressures over and above the need for culture change and a strong business case. Even mutualising a small service can often encounter intractable problems because most local authorities have had real difficulty understanding, preparing for and accurately costing and anticipating the impact of the withdrawal of a small part of a large organisation. On top of thorny issues such as service restructuring, Transfer of Undertakings (Protection of Employment) regulations (TUPE), pensions, retention of staff terms and conditions, and risk-averseness from legal and procurement departments, mutualisation can also have a knock-on effect on the council's back-office functions, for example by leaving large overheads if a mutual chooses to go to the market for its own back-office needs. Interviewees reinforced findings from Hazenberg and Hall's (2013a) barriers and solutions study, which also identified similar hurdles and underscored the importance of continuously engaging with various stakeholders, including staff and citizens, senior management, councillors and unions.



There are some very difficult issues that may make spinning a service out a very lengthy and difficult process – for example, pensions, staff T&C, TUPE and the impact on back-office functions. Councils haven't really been able to find a way to cost the extraction of a small service out of a large organisation.

**Senior officer, Lambeth Council**

One participant also pointed out that the case for public service mutuals is often predicated on an assumption that they will be able to generate trade and private sector income to close the funding gap created by reduced council budgets. Against a backdrop of austerity and economic recession, however, this will be a huge challenge.

One option, therefore, may be a phased approach to spinning out where the company begins as a semi-independent organisation operating at arms length but still under council control (the 'Teckal option'), thus providing a market testing and capacity building 'incubation' period of two to three years before the decision to spin out fully and compete in public service markets is made. This may also give spin-out projects more time to 'taper out' of the council, as well as an opportunity to gain new business expertise and begin to explore new revenue raising opportunities while being sheltered from external competition.

One option might be setting things up semi-independently but still under the umbrella of the council. This could provide a risk-mitigation model because it allows you to test the marketplace and test the ability of your service to operate within it. If it's successful, you can mutualise, and if not, other options can be explored ... There are not many examples of companies successfully spinning out and then growing and operating, and losing that dependence on the core contract with the local authority ... a semi-independent model allows a model of independent provision to be tested in a reasonably safe and risk-managed space.

**Council interviewee**

Some might argue that this may be erring on the side of risk-averseness, but a phased approach may be a useful solution to the tensions and sometimes intractable challenges faced by many aspiring mutuals.

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# 5. Discussion

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The research findings have uncovered a variety of complex challenges facing three co-operative local authorities as they try to transform the way the council commissions services and engages with citizens.

## **Greater clarity on the strategic drivers of mutualisation**

While public service mutuals were initially a major feature of some co-operative councils' transformation agendas – and indeed they were portrayed as such by the Cabinet Office and some of the submissions to the Co-operative Council inquiry by the Communities and Local Government Committee in parliament<sup>6</sup> – there has now been a clear shift in priorities. Lambeth's model, for example, is driven by its co-operative commissioning cycle rather than particular models of delivery, while officers from Oldham and York were also keen to emphasise that mutualisation is not a central focus for their co-operative agendas.

While some may perceive this to be a weakening of the position of public service spin-outs in the local government reform agenda, it is clear from the interviews that a move towards co-operative commissioning without making presumptions about delivery models actually provides greater clarity for the mutuals agenda. Whereas spin-out proposals were previously supported reactively – often as a top-down, ad hoc response to public spending cuts – they are now beginning to be considered in a more strategic way. Spin-outs are seen as one possible option for delivering outcomes and creating new forms of social and economic value for the long-term, rather than having short-term fiscal or managerial factors determine their viability. This reflects international research which suggests that mutuals are most successful where there is a clearly identified need expressed by staff, service users and the community, not just senior managers.<sup>7</sup>

Theoretical arguments in favour of public service mutuals are strong. Insight from the Lambeth Resource Centre and York's libraries and archive mutualisation programme suggests that freeing a service from the constraints of council bureaucracy has the potential to enhance its service offer by:

- Delivering innovation
- Enhancing participative service design and delivery
- Creating local social and economic benefits
- Enabling the organisation to grow beyond the core service and create local multiplier effects.

6. See for example submissions, particularly from the Cabinet Office, to the Communities and Local Government Committee Inquiry on Mutual and Co-operative Approaches to Delivering Local Services. Available at [www.publications.parliament.uk/pa/cm201213/cmselect/cmcomloc/112/112.pdf](http://www.publications.parliament.uk/pa/cm201213/cmselect/cmcomloc/112/112.pdf)

7. Bland (2011)

This supports the conclusions of several research studies,<sup>8</sup> but it should also be acknowledged that, as a review by the Association for Public Service Excellence concluded, there is ‘a paucity of evidence informing the current claims over the performance of co-ops and mutuals in delivering public services.’<sup>9</sup> The same review also found that delivering community benefits and efficiency is not necessarily unique to mutuals. This gives backing to the provider neutrality of co-operative commissioning and some participants’ calls for valuing evidence over ideology. While each of the three councils support a mixed economy of provision and a diverse supply side, this does not equate to a presumption towards a particular model, or what one interviewee called a ‘co-operative bias’.

It is also clear that co-operative commissioning is driven by social value considerations, as opposed to the market logic of the compulsory competitive tendering and ‘best value’ eras. Co-operative councils are therefore increasingly engaged in shaping the provider market to create favourable conditions – or ‘a level playing field’ – for organisations such as charities, social enterprises, small and medium enterprises and public service mutuals. They are doing this by breaking down large contracts, simplifying procurement, embedding social value into tendering specifications, using local supply chains and working to ensure that cost alone doesn’t drive procurement decisions. Indeed, commissioning for outcomes as opposed to services per se is likely to favour enterprises that are integrated within communities and whose key objective is to generate social return, rather than the shareholder value sought by large private firms.<sup>10</sup>

### **The challenges of supporting mutualisation**

But ‘provider neutrality’ also presents a number of challenges for public service mutuals. In most cases these organisations will need a significant period of protection from external competition if they are to become sustainable enterprises with requisite business skills and a diversified portfolio of services and income. While the current practice is to provide initial uncontested contracts of three to five years before exposing mutuals to open competition, some argue that they need to be sheltered for significantly longer, with some proposing long-term contracts of five to seven years, and even 15 years.<sup>11</sup>

This may present challenges for councils that presume no particular delivery models and are establishing co-operative commissioning cycles with fluid options appraisal processes. They might find it difficult to justify long-term contracts that may lead to a service becoming locked in to a particular delivery model. This puts the onus on a fledgling mutual to actively demonstrate its distinctive advantages, particularly in terms of ensuring bottom-up support from staff, service users and local communities.

Nevertheless, in some cases, what may indeed be required is a ‘co-operative bias’ to ensure start-up support and incubation, as well as favourable conditions in a commissioning and procurement context.

8. See for example Cabinet Office (2011) and Le Grand (2013)

9. APSE (2011)

10. Bland (2013)

11. See for example The Mutualisation Taskforce ‘Discussion paper: The “Incubation” option in procurement: Using A Local Authority Teckal Company’. Available at [www.bwbllp.com/file/teckal-paper-public-services-and-mutuals-pdf](http://www.bwbllp.com/file/teckal-paper-public-services-and-mutuals-pdf)

*What may indeed be required is a ‘co-operative bias’ to ensure start-up support and incubation*

Participants acknowledged that there was a clear gap in councils' ability to respond to or stimulate innovative ideas from staff and citizens. This is partly due to cultural factors, but also because council support services often lack the specialist knowledge and capacity to understand and assist spin-out projects. This often leads to a situation where external support, for example from the Cabinet Office and external consultants, is necessary (but often insufficient) to plug the gap.

Perhaps a more fundamental and acute challenge is developing a process or roadmap for spinning out that is able to find solutions to the barriers highlighted by Hazenberg and Hall (2013a) and reinforced by this report. Councils have struggled with anticipating and accounting for the difficulties and complexities of successfully spinning out a service, from legal and financial issues and uncertainties to ensuring a sustainable business model for mutualised services.

### **Commissioning for social value**

The research findings suggest that co-operative commissioning differs to the strategic commissioning approaches being adopted by many local authorities across the country.

#### **Co-operative commissioning**

- Looks at value, not just cost
- Puts co-production at the heart of commissioning, through each stage of the commissioning cycle
- Broadens its gaze beyond services as traditionally understood, looking at new ways to deliver outcomes that local people value
- Builds on citizens' strengths and assets rather than just their needs.

If successful, this could turn the traditional local government paradigm on its head. It may signal a shift from outcomes-based commissioning to outcomes-based *investment*,<sup>12</sup> replacing old debates about delivery models with a new emphasis on using commissioning and local authority influence to invest in empowering citizens and maximising social returns through a broader and more diverse range of vehicles.

There are obvious issues that need to be addressed if this approach is to be successful, however. Research suggests it is difficult to develop social value measurements and define and test outcomes.<sup>13</sup> Moreover, it is likely that outcomes will cut across service and provider boundaries, which has significant implications for how the council shapes the provider market, designs service contracts, and addresses service silos or possible fragmentation caused by provider plurality. This supports research by the New Local Government Network and others that argues for local authority commissioners and independent service providers to develop effective dialogue and values-based relationships far earlier in the commissioning cycle, instead of restricting themselves to transactional relationships during the procurement phase.<sup>14</sup>

12. This was discussed in a recent Enterprise Solutions (2013) Action Learning Set on 'Social Value and Outcomes', 31 January 2013

13. Bovaird and Rhodri (2011)

14. See Harvey et al (2012) and White (2012)

There also needs to be real innovation in how contracts are designed and delivered to ensure that performance is outcomes-based and allows for flexibility and innovation in creating solutions. Aside from breaking down large contracts, using social value specifications and levelling the playing field between large private firms and smaller independent organisations, it may also be essential to develop more open and flexible contracts that create space for innovation and allow citizens, in partnership with councils and providers, to continuously define or influence what they would like to see from a service.

Outcomes-based, joint-delivery partnerships and social impact bonds may be potentially useful options for achieving this, as they allow different organisations to combine their unique strengths and share capacity (and risk) to achieve collective impact. However, this sort of shift will require a step change in public service commissioning. The government's Modernising Commissioning green paper and establishment of a Commissioning Academy could be useful in raising the profile of these issues and sharing best practice.

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# 6. Recommendations

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While this is a small-scale research report based on the subjective experiences of three co-operative local authorities, it is possible to identify a number of useful recommendations for councils across the country that are interested in transforming the way they commission services and considering the role public service mutuals might play in this. The recommendations may also be of interest to national policymakers that would like to support the development of mutuals and enhance their role in public service delivery.

- **Shift the starting point for considering service mutualisation.** Spinning out services shouldn't just be a reactive, top-down response to public spending cuts or short-term management objectives. It should be based on a business and social value case that is congruent with the overarching strategic vision of the local authority and its citizens. Having a clear, evidence and values-based approach to commissioning can help to identify the rightful drivers of mutualisation and map the services that could benefit most from exploring the spin-out option.
- **Think beyond service structures.** Commissioning for outcomes doesn't just have to mean assessing needs and deciding on the right service delivery model or addressing gaps in provision. Councils can draw on asset-based methodologies during the commissioning cycle and choose to invest in activities such as strengthening social networks, brokering low-cost energy for residents or supporting community groups to set up timebanking schemes.
- **Develop risk-aware, rather than risk-averse, leadership.** Innovative commissioning requires policymakers, senior managers and commissioners who are willing to take measured risks. Rather than excessively fearing a legal challenge or being sceptical about the future business capabilities of a fledgling mutual, councils should confidently push forward. In the case of spin-outs, risk mitigation models such as phased mutualisation can also be considered. Improving commissioning skills will also be key to this.
- **Stimulate bottom-up demand for innovation.** Despite policy efforts, public sector staff and citizens have shown limited interest in exploring mutualised models of delivery. Central government and councils need to think more creatively about how they might incentivise staff and citizens to drive change in public services. The Right to Provide and Community Right to Challenge may provide some structural opportunities, but without a

concerted effort to stimulate greater bottom-up demand there is unlikely to be strong progress in the government's public service reform agenda.

- **Develop an effective incubation and support capability.** Local authorities need to be better at responding to proposals from staff and citizens and provide appropriate infrastructures of support. Public service mutuals are likely to require significant effort and investment throughout their transition to becoming self-sustaining, independent enterprises, including upskilling and culture change. While Cabinet Office support programmes have been essential to many spin-out projects, councils and central government could do more to broker specialist and bespoke support to promote rapid business development and capacity-building for fledgling mutuals – looking to examples such as the networks of ‘business advisory teams’ that provide bespoke support to 1,200 childcare co-operatives in Sweden.<sup>15</sup>
- **Councils should play an active role in market development and create a level playing field for smaller providers.** Commissioning for social value and outcomes will need innovative approaches to engaging with providers and designing public service contracts. For example, councils could consider developing smaller and more flexible contracts rather than large contracts with tight service specifications, which could allow organisations such as mutuals the flexibility to create innovative solutions. They could also explore social impact bonds, which provide space for innovation while also minimising risks to the council and providers. Where local authorities do need economies of scale with large contracts, they could build social value or CSR into the tender – for example, by having capacity transfer or ‘mentoring’ agreements where the provider commits to supporting business capacity building in a fledgling mutual as part of its CSR pledge.

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# Glossary

## **Outcomes-based commissioning**

Outcomes-based commissioning is an approach to service planning and provision that focuses on the outcomes that can be achieved, rather than just the outputs. An example of this would be basing a contract on an outcome such as ‘reducing social isolation’ rather than an output such as ‘delivering three lunch clubs a week for elderly residents’.

## **Co-operative commissioning**

Co-operative commissioning is an approach that puts citizens and outcomes at the centre of commissioning and creates stronger relationships between key stakeholders. It looks beyond cost and ‘value for money’ to put greater emphasis on the social costs and benefits of different ways to run services. This report uses the term ‘co-operative commissioning’ to describe and analyse diverse approaches (with common elements) to commissioning, as well as future aspirations for commissioning, from co-operative councils, and does not refer to a single unified model.

## **Public service mutuals and spin-outs**

Public service ‘spin-outs’ or ‘spin-offs’ are services that have stepped out of the public sector to form independent enterprises. They are usually employee and service user-led and have a strong community focus.

## **Place-shaping agenda**

The place-shaping agenda sought to enhance the strategic role of local authorities as ‘agents of place’ by leading innovative local partnerships to drive social and economic development, greater co-production and more prosperous communities. While the coalition government has removed some of the statutory arrangements through which place-shaping activity previously took place, councils are still seen as having a key role to play in improving the well-being of places and communities.

## **‘Teckal option’**

Where a local authority feels a service needs a pre-spin-out ‘incubation’ period to develop the business capabilities essential to survive as an independent enterprise, the prospective mutual could begin as a Teckal company operating at arms length from the council but still under its control. This allows the local authority to shelter the organisation from external competition while it develops.

## **Total Place approach**

Total Place was an ‘whole area’ approach to public service delivery that sought to drive better value for money and improved outcomes for citizens through joint working and partnership between services to reduce waste and duplication. The basic idea has been taken up by the coalition government with the Community Budget pilots.

London Councils' Capital Ambition was established in 2008 as London's improvement and efficiency partnership to direct £40 million to help London's local authorities deliver improved performance, efficiencies and savings to support innovative ways of working. Through funding from the London Councils' Capital Ambition programme, local authority-led projects across the capital have achieved cashable savings of more than £76 million and are on track to deliver savings of £357 million by March 2016. Governance of London Councils' Capital Ambition was agreed by the London Councils Leaders' Committee and the current programme is led by a cross-party board of elected members from five boroughs. The board has responsibilities for decision-making around the use of the programme's resources and for the oversight of the programme's delivery.

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