



Community and Public Sector Union

Michael Tull – Assistant National Secretary

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Senate Standing Committees on Economics
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Dear Committee Secretary

Inquiry into cooperative, mutual and member-owned firms

The CPSU welcomes the opportunity to make a submission to this Senate Inquiry.

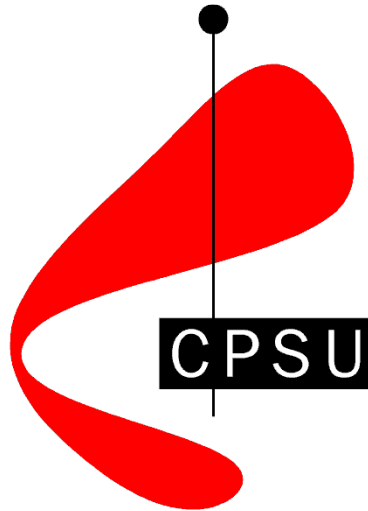
Australians support investment in public services, and they support government fairly raising the revenue to provide these. The public sector works hard to provide these services for the benefit of the Australian community every day.

As the key union representing Australian Public Service (APS) employees, our submission outlines concerns the CPSU has about mutual ownership of public services and assets based on the overseas experience of public service mutuals.

For further information please contact Dr Kristin van Barneveld, Director of Research via email_ or

Yours sincerely

Michael Tull
Assistant National Secretary



CPSU (PSU Group) Submission

Inquiry into cooperative, mutual and member-owned firms

July 2015

Executive Summary

Advocates of public service mutuals argue they are a "third way" of effectively and efficiently delivering public services. However, their use in overseas jurisdictions, particularly the United Kingdom as part of the Government's Big Society agenda, has been limited. Despite predictions in 2010 of 1 million UK public servants being transferred to mutuals by 2015, by the end of 2014, 'fewer than 35,000 people' were working 'in 100 public service mutuals'.¹ Regardless of their extent, experience elsewhere has demonstrated that policies seeking to rely heavily on public service mutuals, as opposed to the public sector, have not delivered the purported benefits advocates claim.

The CPSU does not ignore the important role that genuine cooperatives and mutuals play in the Australian society and economy. However, mutuals are not an appropriate alternative to the public sector in delivering public services to the Australian community. The CPSU is concerned that the current debate around public service mutuals is part of a privatisation agenda which will result in reduced services to the Australian community.

The CPSU submits that:

- Public service mutuals rely substantially on private investment, which means profit motives become a significant factor in their operations. This is contrast to the delivery of services through the public sector where the focus can more easily include the quality and effectiveness of the service itself.
 - o Independent evidence suggests that public service mutuals do not offer improved services. In fact, in the United Kingdom, service standards have declined where public service mutuals have overtaken public services.
- Public service mutuals face substantial challenges in establishing and maintaining their operations, including significant start-up costs. Despite strong support from Government, the take up of public service mutuals in the UK has been quite limited.
- In the Australian context this raises two issues. First, if the Government invests heavily in policies to establish an alternative service delivery system, it will meet with limited success. Second, public service mutuals that do commence operation may not be able to maintain the requisite service standards, resulting in a decline in service levels to the Australian community and/or requiring the Australian government to step back in to deliver services.

Public service mutuals are not an appropriate or sustainable alternative to the provision of services through the public sector.

¹ Jane Dudman, Why Francis Maude is wrong to think all public services can be mutuals, The Guardian, 22 December 2014, <http://www.theguardian.com/public-leaders-network/2014/dec/22/francis-maude-wrong-public-services-mutuals>, accessed 26/6/2015

Background

The public supports government run services

The work of government impacts the lives of *all* Australians: whether they are individuals accessing Medicare services, seniors seeking information on pension entitlements, or a family needing assistance following an emergency such as a bushfire or flood. Beyond direct services to individuals and families, government provides fundamental information, often taken for granted, that helps facilitate daily life – from weather forecasts that assist Australian food producers, grants to small businesses and funds to develop innovative new technology, to protecting the community through work including biosecurity and food and pharmaceutical regulation.

The public supports services remaining owned and run by the government. 59% think that having public services owned or run by private companies is a bad idea.² Only 33% agree that private companies deliver better quality services than Government-run organisations³ and 75% of Australians believe that it is preferable that the Government runs community services.⁴ 70% think that privatisation mainly benefits the corporate sector.⁵

Despite strong public support for government-run services, the Commonwealth Government continues to investigate opportunities to privatise branches of the public service. In the most recent budget, the Government committed to a scoping study for Australian Rail Track Corporation, privatising the Australian Securities and Investments Commission registry services through a competitive tender and further consultation regarding the possible privatisation of Australian Hearing.⁶

The CPSU is concerned that the Commonwealth Government's privatisation agenda will extend to converting publicly held assets into "public service mutuals". For example, a report prepared for the Business Council of Co-operatives and Mutuals proposed turning Australian Hearing and CRS Australia into public service mutuals⁷ and an adviser on Britain's Royal Mail has also called for Australia Post to be mutualised.⁸

Drawing on the experience of public service mutuals in the United Kingdom, this submission will outline our concerns about the use of mutuals to deliver public services from organisations previously in the public sector.

In our view, public service mutuals are not an appropriate or sustainable alternative to the provision of services through the public sector.

² Essential Vision, Opinion of Privatisation, Essential Report, 28 January 2014, <http://essentialvision.com.au/opinion-of-privatisation-2>, accessed 26/6/2015

³ Essential Vision, Privatisation, Essential Report, 10 February 2015, <http://essentialvision.com.au/privatisation>, accessed 26/6/2015

⁴ Essential Vision, Services better run by Government or Private Sector, Essential Report, 11 March 2013, <http://essentialvision.com.au/services-better-run-by-government-or-private-sector>, accessed 26/6/2015

⁵ Essential Vision, Privatisation, Essential Report, 10 February 2015, <http://essentialvision.com.au/privatisation>

⁶ Media Release, Minister for Finance, Smaller Government – Transforming the Public Sector, 11 May 2015, <http://financeminister.gov.au/media/2015/0511-smaller-government.html>, accessed 26/6/2015

⁷ Net Balance Research Institute, Green Paper - Public Service Mutuals: The case for a Third-way for delivering public services in Australia, June 2014, p.45⁷

⁸ Patrick Durkin, UK adviser on Royal Mail sale urges Australia Post split, Australian Financial Review, 12 March 2014, http://www.afr.com/p/national/uk_adviser_on_royal_mail_sale_urges_Qoh2zruhBotvq4Ys3cLGO, accessed 26/6/2015

History of public service mutuals

What are public service mutuals?

A public service mutual is “an organisation which wholly or in part delivers public services through a cooperative or mutual governance structure, whereby members of the organisation are able to be involved in decision-making, and benefit from its activities, including benefits emanating from the reinvestment of surpluses.”⁹

Public service mutuals are organisations that were previously in the public sector but continue delivering public services under contract. It has been suggested that staff-owned public service mutuals could also be formed from part of for-profit business or community service organisations but it has not occurred to date.

The use of public service mutuals in the United Kingdom

Prior to the 2010 election, the British Conservative Party committed to the establishment of employee-owned cooperatives in the public sector.¹⁰ After forming Government, the Conservatives have forced parts of the public sector to leave the public sector, for example turning the organisation in charge of civil service pensions¹¹ and the Behaviour Insights Team within the Cabinet Office¹² into “public service mutuals”.

The Conservatives also passed the Localism Act in November 2011, establishing a ‘right to challenge’. Under ‘right to challenge’, local authorities are obliged to give consideration to expressions of interest to establish mutuals to deliver public services. Community interest in taking over public services has, however, been far more limited. Only 50 expressions of interest had been submitted as of December 2014.¹³

Public service mutuals and the big society

The ‘Big Society’ refers to a set of public policies advocated by the British Conservative Party that seek to shrink the state while expanding the private and community sectors. Advocates argued that the community sector should take over many functions of government and see the public sector as crowding out the community sector.

Encouraging the establishment of public service mutuals was a key part of the Big Society agenda.¹⁴ Conservative Minister Francis Maude has said that public service mutuals exemplify the big society.¹⁵ As the Minister for the Cabinet Office in 2010, Maude gave unequivocal support for public service mutuals as part of the ‘Big Society’.¹⁶ He argued that public service mutuals were a new model of public services involving ‘staff who provide them

⁹ Business Council of Cooperatives and Mutuals, White Paper - Public Service Mutuals: A third way for delivering public services in Australia, August 2014., P.9

¹⁰ Gary Sturgess, Diversity and Contestability in the Public Service Economy, NSW Business Chamber, June 2012, p.76

¹¹ Gill Plimmer and Sarah Neville, Civil servants to form mutual, Financial Times, 31 January 2012,

<http://www.ft.com/cms/s/0/77decb3a-4b34-11e1-a325-00144feabdc0.html> , accessed 26/6/2015

¹² Patrick Wintour, Government's behaviour insight team to become a mutual and sell services, The Guardian, 5 February 2014, <http://www.theguardian.com/politics/2014/feb/05/government-behaviour-insight-nudge-mutual-nesta-funding> , accessed 26/6/2015

¹³ Mark Sandford, Community Right to Challenge, Commons Library, 17 February 2015, p.7

¹⁴ NCVO, Will public service mutuals reshape civil society?, UK Civil Society Almanac 2012, <http://data.ncvo.org.uk/a/almanac12/will-public-service-mutuals-reshape-civil-society/> , accessed 26/6/2015

¹⁵ Polly Curtis, Government appoints arch-Blairite to push 'big society' initiative, The Guardian, 3 February 2011, <http://www.theguardian.com/society/2011/feb/02/mutuals-services-julian-le-grand> , accessed 26/6/2015

¹⁶ Dr Richard Hazenberg, Dr Kelly Hall & Allison Ogden-Newton, Public Service Mutuals: Spinning Out or Standing Still?, RSA, May 2013, p.9

by forming themselves into a mutual, a co-op, spinning themselves out of the public sector'.¹⁷

While the Big Society promised to empower communities, encourage a diversity of service providers, and foster volunteerism and mutualism,¹⁸ it has failed to achieve these goals. An audit of the 'Big Society' by Civil Exchange found it has led to largely negative consequences with fewer people feeling they can influence local decisions, less transparency and accountability and new 'quasi-monopoly' private sector providers.¹⁹

Public Service Mutuals are not what they are made out to be

The UK experience demonstrates that public service mutuals are often substantially owned by private investors and run accordingly.

Public Service Mutuals are not actually mutuals

The experience of public service mutuals in the United Kingdom indicates that they are nothing like mutuals. Rather, these "Mutual Joint Ventures" often have a substantial stake owned by private investors. One example is MyCSP, formerly the civil service pension scheme, 40% of which is owned by financial services company Equiniti, with the Government retaining a 35% ownership. Only 25% is owned by staff.²⁰

The involvement of private investors means their interests, making a profit, will be pivotal in determining what happens.²¹ Even Scott Morrison, the Minister for Social Services, has acknowledged this. At the recent ACROSS National Conference, he called for greater private sector investment in social services but also stated that "*welfare must become a good deal for investors – for private investors. We have to make it a good deal - for the returns to be there.*"²²

In reality, the use of the term mutual has operated as a cover for a privatisation agenda. Even supporters of mutualising public services have raised concerns that there is an ideological agenda of privatisation behind the Government's support of mutualisation. Peter Hunt, who has advocated for the mutualisation of Australia Post, has said that:

*It seems that the Government's real objective of promoting mutuals has been to try to make entrepreneurs of public servants, make them more business-like and efficient. Any spun out services are then encouraged to compete with other providers in the increasingly competitive market for public service contracts.*²³

*It is ideologically driven...and has more to do with the mantra that privately owned business is the most efficient.*²⁴

¹⁷ Dr Richard Hazenberg, Dr Kelly Hall & Allison Ogden-Newton, Public Service Mutuals: Spinning Out or Standing Still?, RSA, May 2013, p.9

¹⁸ 'Big Society' Questions and Answers, Centre for Policy development, <http://cpd.org.au/wp-content/uploads/2012/05/CPDBigSocietyQandA.docx>, accessed 26/6/2015

¹⁹ Caroline Slocock, Whose Society? The Final Big Society Audit, Civil Exchange, 20 January 2015, p.6

²⁰ Paul Gosling, When 'mutualisation' of public services is actually privatisation, Co-operative News, 26 August 2014, <http://www.thenews.coop/88845/news/general/when-mutualisation-of-public-services-is-actually-privatisation/>, accessed 26/6/2015

²¹ Paul Gosling, When 'mutualisation' of public services is actually privatisation, Co-operative News, 26 August 2014, <http://www.thenews.coop/88845/news/general/when-mutualisation-of-public-services-is-actually-privatisation/>, accessed 26/6/2015

²² The Hon Scott Morrison MP, 'A good deal on welfare' - Address To ACROSS National Conference, 25 June 2015, <http://scottmorrison.dss.gov.au/speeches/a-good-deal-on-welfare-address-to-across-national-conference>, accessed 27/6/15

²³ Peter Hunt, Big society versus new mutualising, Australian Policy Online, 27 February 2013 <http://apo.org.au/commentary/big-society-versus-new-mutualism>, accessed 26/6/2015

²⁴ Peter Hunt, Big society versus new mutualising, Australian Policy Online, 27 February 2013, <http://apo.org.au/commentary/big-society-versus-new-mutualism>, accessed 26/6/2015

There is a significant danger that public service mutuals are established to allow private corporations in through the back door. The CPSU notes that Francis Maude, the Cabinet Office Minister driving the public service mutual agenda, has conceded that mutualisation is actually a form of privatisation.²⁵

Rather than an alternative to privatisation, the reality in the UK has been the introduction of public service mutuals merely extends the privatisation agenda.

Staff are not getting a say

Supporters have argued that a benefit of public service mutuals is that staff are given a voice in the organisation and about how it is run.²⁶ It has also been suggested that public sector unions should be supportive of mutuals as staff get a greater say over an organisation they own and control and that it is a better alternative to privatisation or unemployment.²⁷

While the CPSU supports staff having a greater say in their workplace, the UK experience demonstrates that is not the reality. For example, in the UK the British Government forced employees to leave the public sector and join mutuals against their will.²⁸ The major public sector union in the UK has opposed mutuals because they have concluded that staff have no real say in the operation of the mutual and the program is in reality a cover for transferring public services to the private sector.²⁹

The need for private capital also undermines the argument that staff will have a greater say. The need to borrow private capital means that banks, rather than staff, own the operation.³⁰ Rather than empowering staff, public service mutuals are being used as a means of privatisation by stealth with staff sidelined in the decision to become a mutual.

Misinformation about PSMs

The CPSU is also concerned that factually incorrect information is being used to support the case for public service mutuals. A case study provided to the Australian media was the Cleveland Fire Brigade in the north of England.³¹ Cleveland Fire Brigade was highlighted as a successful example of a public service mutual when it was not.

However the Fire Brigade Union has informed that CPSU that Cleveland Fire Brigade has not been converted into a mutual as the requisite changes to legislation have not been

²⁵ David Blackburn, Mutually assured benefits: Francis Maude's public sector revolution, The Spectator, 2 August 2014, <http://blogs.spectator.co.uk/coffeehouse/2014/08/mutually-assured-benefits-francis-maudes-public-sector-revolution/> , accessed 26/6/2015

²⁶ British Government, Mutuals Information Service, <https://www.gov.uk/government/groups/mutuals-information-service>, accessed 26/6/2015

²⁷ Net Balance Research Institute, Green Paper - Public Service Mutuals: The case for a Third-way for delivering public services in Australia, June 2014, p.47

²⁸ David Ainsworth, Public sector staff 'have been forced to join mutuals against their will', Third Sector, 21 August 2013, <http://www.thirdsector.co.uk/public-sector-staff-have-forced-join-mutuals-against-will/policy-and-politics/article/1208154> , accessed 26/6/2015

²⁹ Public and Commercial Services Union, By mutual consent? - PCS on the reality behind the governments mutualism agenda, February 2012, <http://www.pcs.org.uk/en/resources/privatisation-and-outsourcing-toolkit/by-mutual-consent-pcs-on-the-reality-behind-the-governments-mutualism-agenda/conclusion-the-governments-mutualisation-programme-is-a-myth.cfm> , accessed 26/6/2015

³⁰ Andrew Sparrow, The interview: Unison's Dave Prentis, Ethos, August 2013, <http://www.ethosjournal.com/topics/public-service-delivery/item/465-the-interview-with-dave-prentis-unison> , accessed 26/6/2015

³¹ Noel Towell, 'Third way' for government services wins Kevin Andrews's approval, Canberra Times, 4 September 2014 , <http://www.canberratimes.com.au/national/public-service-third-way-for-government-services-wins-kevin-andrewss-approval-20140904-10c2kk.html> , accessed 26/6/2015

passed. Furthermore, fire fighters continue to oppose the proposal with a YouGov poll of members showing that 97% of FBU members oppose mutualisation.³²

This example raises questions about the accuracy of other evidence provided to support the mutualisation of public services in Australia.

Public Service Mutuals are not delivering their purported benefits

The British Government has claimed that public service mutuals provide improved services and encourage innovation by allowing employees to have a greater say in the workplace.³³ There is, however, little evidence that public service mutuals have significantly improved services, particularly as there is limited information on how they are performing.³⁴ Supporters have cited reports by the King's Fund and the University of Southampton as evidence of greater employee engagement and higher levels of innovation. The evidence cited in both instances, however, relies on small sample sizes and anecdotal evidence.³⁵

The Association for Public Service Excellence (APSE) has noted that the policy debate about co-ops and mutuals in public services has been dominated by and is reliant upon a small number of 'exemplar' case studies.³⁶ It also noted that much of the available evidence is written by organisations seeking to advocate for a greater role for co-ops and mutuals in the delivery of public services.³⁷ Where information is available from independent sources, it suggests in many instances that the quality of the service has actually declined.

MyCSP is one example where service quality has declined. Since becoming a public service mutual, there have been delayed pension payments for retired public servants³⁸ and there has been a significant increase in complaints.³⁹ Clients attempting to find out why their pension payments were delayed could get no adequate explanation.⁴⁰

Central Surrey Health (CSH) is another example of a mutual failing to meet service standards. CSH was once regarded as one of the "successes" of mutuals; however the mutualised entity scored below average in all four standards in the new Patient-Led Assessments of the Care Environments (PLACE) inspection regime in April-June 2013.⁴¹ Its scores on cleanliness; condition, appearance and maintenance; privacy, dignity and

³² Fire Brigades Union, Yougov survey: 97% of firefighters oppose mutualisation of Cleveland Fire Brigade, 23 September 2013, <http://www.fbu.org.uk/news/2013/09/yougov-survey-97-of-firefighters-oppose-mutualisation-of-cleveland-fire-brigade/>, accessed 26/6/2015

³³ British Government, Mutuals Information Service, <https://www.gov.uk/government/groups/mutuals-information-service>, accessed 26/6/2015

³⁴ Arthur Downing, Without major structural reform, history suggests that mutualising the NHS is a bad idea., Social Market Foundation, 4 August 2014, <http://www.smf.co.uk/mutualising-the-nhs-a-cautionary-tale-from-history/>, accessed 26/6/2015

³⁵ Arthur Downing, Without major structural reform, history suggests that mutualising the NHS is a bad idea., Social Market Foundation, 4 August 2014, <http://www.smf.co.uk/mutualising-the-nhs-a-cautionary-tale-from-history/>, accessed 26/6/2015

³⁶ Association for Public Service Excellence (APSE), Proof of delivery? A review of the role of co-operatives and mutuals in local public service provision, August 2011, p.16

³⁷ Association for Public Service Excellence (APSE), Proof of delivery? A review of the role of co-operatives and mutuals in local public service provision, August 2011, p.16

³⁸ Jane Dudman, Flagship government mutual holds up payments to pensioners, The Guardian, 8 November 2014, <http://www.theguardian.com/public-leaders-network/2014/nov/08/flagship-government-mutual-holds-up-payments-to-pensioners>, accessed 26/6/2015

³⁹ Jane Dudman, Flagship government mutual holds up payments to pensioners, The Guardian, 8 November 2014, <http://www.theguardian.com/public-leaders-network/2014/nov/08/flagship-government-mutual-holds-up-payments-to-pensioners>, accessed 26/6/2015

⁴⁰ Jane Dudman, Why Francis Maude is wrong to think all public services can be mutuals, The Guardian, 22 December 2014, <http://www.theguardian.com/public-leaders-network/2014/dec/22/francis-maude-wrong-public-services-mutuals>, accessed 26/6/2015

⁴¹ Central Surrey scores below average on PLACE standards, Health Service Journal, 26 September 2013, <http://www.hsj.co.uk/hsj-local/ccgs/nhs-surrey-downs-ccg/central-surrey-scores-below-average-on-place-standards/5063575.article>, accessed 26/6/2015

wellbeing; and food and hydration ranged from 74-90%, compared to a national average of 85-96%.⁴²

Circle Holdings is the most notable example of a public service mutual failing to deliver quality services. It was the first public hospital to be “spun out” and leave the public sector and has been cited as a model for mitigating risk.⁴³ The reality has been quite different. In early 2015, it announced plans to withdraw from its contract to provide hospital services, hours before inspectors recommended the hospital be placed in special measures because of “inadequate” care.⁴⁴ The Care Quality Commission revealed serious failings, finding that there were major problems in its ambulatory and emergency unit that patients including children were put in danger and there were delays in relieving patients’ pain.⁴⁵

These examples cast doubt on how successful public service mutuals are for the delivery of public services.

Public Service Mutuals are not a proper alternative to the public sector

For very good reasons, public service mutuals have not been widely adopted as an alternative to the public sector in the United Kingdom. The enthusiasm in some quarters for public service mutuals as a policy initiative overlooks this fact.

In 2010, Cabinet Office Minister Francis Maude forecast that by 2015, one million staff would have moved from the public sector into mutuals. Today, fewer than 35,000 people work in 100 public service mutuals, primarily in health care.⁴⁶ There are a range of reasons why public service mutuals are not a widespread alternative to the public sector.

As previously outlined public service mutuals are not what they are made out to be and evidence suggests that they often result in poorer services.

There is also a reluctance to move to public service mutuals because they are highly risky ventures. There are significant costs involved in establishing a mutual including planning, setting up (for example, legal and IT costs) and launching the organisation.⁴⁷ It can take considerable time for the mutual to establish itself⁴⁸ and mutuals must also raise capital for investment and finance the high cost of bidding for contracts.⁴⁹

The need for capital is quite often overlooked when discussing mutuals. Challenges that mutuals can face include cash flow, affordability and obtaining finance. Almost all mutuals will require funds for employees to “buy in” to the organisation, working and investment capital, and access to financial products and debt markets. New businesses may take on

⁴² Dexter Whitfield, Should we turn the NHS into co-ops and mutuals?, openDemocracy, 14 November 2013, <https://www.opendemocracy.net/ournhs/dexter-whitfield/should-we-turn-nhs-into-co-ops-and-mutuals>, accessed 26/6/2015

⁴³ Karen Cherrett, Overcoming challenges of public sector mutualisation, The Guardian, 23 September 2011, <http://www.theguardian.com/public-leaders-network/blog/2011/sep/23/planning-for-mutual-success>, accessed 26/6/2015

⁴⁴ Charlie Cooper, Circle Holdings pulls out of NHS contract hours before hospital it ran was rated 'inadequate', The Independent, 9 January 2015, <http://www.independent.co.uk/news/business/news/circle-holdings-pulls-out-of-nhs-contract-hours-before-hospital-it-ran-was-rated-inadequate-9968997.html>, accessed 26/6/2015

⁴⁵ Nicholas Watt, Denis Campbell and Randeep Ramesh, Circle pulls plug on hospital deal and sparks storm over private firms in NHS, 10 January 2015, <http://www.theguardian.com/society/2015/jan/09/circle-hospital-private-firms-nhs-report-poor-care-hinchingbrooke>

⁴⁶ Suzannah Brecknell, Policy in action: mutuals, Civil Service World, 8 September 2014, <http://www.civilserviceworld.com/articles/feature/policy-action-mutuals>, accessed 26/6/2015

⁴⁷ Dr Richard Hazenberg, Dr Kelly Hall & Allison Ogden-Newton, Public Service Mutuals: Spinning Out or Standing Still?, RSA, May 2013, p.20

⁴⁸ Dr Richard Hazenberg, Dr Kelly Hall & Allison Ogden-Newton, Public Service Mutuals: Spinning Out or Standing Still?, RSA, May 2013, p.23

⁴⁹ Dexter Whitfield, Should we turn the NHS into co-ops and mutuals?. openDemocracy, 14 November 2013, <https://www.opendemocracy.net/ournhs/dexter-whitfield/should-we-turn-nhs-into-co-ops-and-mutuals>, accessed 26/6/2015

some liabilities previously carried by the parent organisation. The access to such capital is often limited as mutuals are something of an unknown entity to mainstream lenders.⁵⁰

Even if a mutual can meet these costs, it will be under significant pressure from other contractors who are engaged in a 'race to the bottom' cutting jobs, terms and conditions to remain 'competitive' and win contracts. Margins are low and most are expected to deliver efficiency gains on these contracts – improvements which will require incremental investment in service delivery. They will face competition against well-capitalised private providers who are happy to build market share through loss-making contracts.⁵¹ An example of this occurring is Central Surrey Health failing in its attempt to bid for a competitively-tendered NHS contract, losing the £500m contract to Virgin.⁵²

Establishing a public service mutual that is owned by staff also involves significant personal risk and liability. As the scale of budgets, staff and risk public sector increases, appetite for taking on risk can decrease.⁵³ Of the public service mutuals established to date, they have primarily been frontline health or community services on a local level. Few entities from the British civil services have become PSMs, MyCSP and the Behavioural Insight Team being the main exceptions and both are not large entities.

The risk and costs associated prevent public service mutuals from being a proper alternative to public sector provision. As highlighted by a former management consultant who worked on public service mutuals, the public service mutual model only really works when governments provide *“financial and capacity support and occasionally assets, which defeats the object.”*⁵⁴

Recommendations

For the reasons outlined above, the CPSU has significant concerns about the use of public service mutuals. Overseas evidence indicates that public service mutuals do not offer improved services and rely heavily on private investment which has implications for the delivery of public services.

Rather the so-called 'mutualisation' of public services is being used to shrink the public sector and transfer financial, employment and operational risks to new organisations that may not be able to bear it. It is in fact a form of privatisation.

⁵⁰ Duncan Farrow-Smith, One year on: five lessons for public sector mutuals, Guardian, 30 April 2013, <http://www.theguardian.com/public-leaders-network/2013/apr/30/public-sector-mutuals-five-lessons>, accessed 26/6/2015

⁵¹ Richard Todd and Ben Williams, Investing in the mutualisation of public services, Policy Network, 6 June 2012, http://www.policy-network.net/pno_detail.aspx?ID=4193&title=Investing-in-the-mutualisation-of-public-services, accessed 26/6/2015

⁵² Patrick Butler, Social enterprise: The NHS 'big society' gets a reality check, The Guardian, 20 September 2011, <http://www.theguardian.com/society/patrick-butler-cuts-blog/2011/sep/19/social-enterprise-big-society-gets-reality-check>, accessed 26/6/2015

⁵³ Duncan Farrow-Smith, One year on: five lessons for public sector mutuals, Guardian, 30 April 2013, <http://www.theguardian.com/public-leaders-network/2013/apr/30/public-sector-mutuals-five-lessons>, accessed 26/6/2015

⁵⁴ David Blackburn, Mutually assured benefits: Francis Maude's public sector revolution, The Spectator, 2 August 2014, <http://blogs.spectator.co.uk/coffeehouse/2014/08/mutually-assured-benefits-francis-maude-public-sector-revolution/>, accessed 26/6/2015