

# Contents

<b>CHAPTER ONE: INTRODUCTION .....</b>	<b>1</b>
USING THIS PUBLICATION.....	1
<b>CHAPTER TWO: WHAT IS A STAFF MUTUAL?.....</b>	<b>5</b>
DEFINITIONS.....	5
DIFFERENT FORMS OF STAFF MUTUAL.....	7
THE STAFF MUTUALS SPECTRUM .....	12
<b>CHAPTER THREE: MUTUAL ADVANTAGE? .....</b>	<b>15</b>
GENUINE EMPLOYEE INVOLVEMENT .....	17
MUTUALS DELIVERING PUBLIC SERVICES.....	17
MEMBER PARTICIPATION IS KEY.....	18
<b>CHAPTER FOUR: CONSIDERING THE BUSINESS CASE .....</b>	<b>21</b>
MAKING A BUSINESS CASE .....	22
OPTIONS APPRAISAL.....	24
THE MUTUAL BUSINESS DETECTOR .....	25
TAKING ACCOUNT OF DIFFERING STAKEHOLDER GOALS.....	26
<b>CHAPTER FIVE: LEGAL STRUCTURES.....</b>	<b>29</b>
LIMITED COMPANIES.....	31
MUTUAL SOCIETIES .....	34
LIMITED LIABILITY PARTNERSHIPS .....	39
CHARITABLE INCORPORATED ORGANISATIONS .....	41
CHARITIES.....	43
COMMUNITY INTEREST COMPANIES .....	45
TRUSTS.....	47
<b>CHAPTER SIX: MEMBERSHIP AND GOVERNANCE.....</b>	<b>51</b>
BALANCING REPRESENTATION, SKILLS AND ACCOUNTABILITY.....	53
TYPES OF GOVERNANCE STRUCTURES .....	53
GOVERNANCE AND LEGAL STRUCTURE.....	55
<b>CHAPTER SEVEN: FINANCING MUTUALS .....</b>	<b>65</b>
SOURCES OF FINANCE .....	65
DIFFERENT MUTUALS WITH DIFFERING ACCESS TO FINANCE .....	70
DIFFERENT OPTIONS AT DIFFERENT TIMES .....	70
INVESTMENT INCENTIVES .....	71

<b>CHAPTER EIGHT: MUTUAL SHARES .....</b>	<b>77</b>
OVERVIEW.....	77
A SOURCE OF LOW-COST CAPITAL? .....	78
ORDINARY SHARES.....	79
MEMBER SHARES .....	79
CO-OPERATIVE SOCIETIES, COMMUNITY BENEFIT SOCIETIES, PRIVATE LIMITED COMPANIES AND SHARE ISSUES.....	81
DIFFERENCES IN RIGHTS ATTACHED TO ORDINARY SHARES AND MEMBER SHARES .....	82
PREFERENCE SHARES.....	84
EXTERNAL NON-USER INVESTOR EQUITY .....	85
TAX RELIEF .....	86
<b>CHAPTER NINE: ACCOUNTING MATTERS.....</b>	<b>89</b>
CHARITIES.....	89
CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETIES – ACCOUNTING REQUIREMENTS.....	89
LIMITED COMPANY .....	93
LIMITED LIABILITY PARTNERSHIP .....	96
CLASSIFICATION OF MEMBERS’ SHARES AS EQUITY OR LIABILITIES.....	97
<b>CHAPTER TEN: TAX MATTERS.....</b>	<b>99</b>
EXEMPTIONS AND RELIEFS APPLICABLE TO CERTAIN ACTIVITIES .....	99
CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETIES.....	100
RELIEF ON SHARE SCHEMES .....	101
CHARITABLE MUTUALS .....	103
<b>CHAPTER ELEVEN: COMMISSIONING AND PROCUREMENT MATTERS.....</b>	<b>109</b>
COMMISSIONING.....	109
THE RIGHT TO PROVIDE .....	112
COMMUNITY RIGHT TO CHALLENGE .....	113
PUBLIC SERVICES (SOCIAL VALUE) ACT 2012.....	114
CHARITABLE MUTUALS .....	114
<b>CHAPTER TWELVE: TUPE AND PENSIONS .....</b>	<b>119</b>
TRANSFER OF UNDERTAKINGS (PROTECTION OF EMPLOYMENT) REGULATIONS (TUPE).....	119
PENSIONS .....	120
TUPE CHECKLIST .....	122
<b>CHAPTER THIRTEEN: OTHER RESOURCES .....</b>	<b>125</b>
<b>GLOSSARY.....</b>	<b>129</b>

# CHAPTER ONE

## Introduction

Staff mutuals are a part of a wider process of change in service delivery. Government is committed to giving public sector employees new rights to bid or request to take over the services they deliver. This includes supporting the right for NHS staff to provide services through staff-led social enterprises. We can see examples of this in the development of GP and nurse-led services and in the growing number of employee-led organisations developing out of primary care trusts. The localism agenda further encourages the transfer of services by supporting community involvement and promoting the diversification of public service delivery. This includes the right to challenge included in the Localism Act 2011.

Whether we are assessing new delivery options or working with and supporting existing staff mutuals, it is important we are clear about what staff mutuals are; what benefits they can bring to service provision; the legal forms they take; and what issues arise when considering working with them. This guide seeks to address these and other areas and looks at definitions of mutuals; the different types of staff mutual; the evidence on the benefits associated with them; legal structures; governance; financing; and tax and accounting matters. It also considers the emphases placed by different staff mutuals on social purposes; stakeholder participation; profit retention; rewarding stakeholders; and the anchoring of capital to the goals of the enterprise.

### USING THIS PUBLICATION

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This publication is a resource for people working in or with staff mutuals engaged in delivering public services, and for those who are involved in considering setting up a new staff mutual. It will be useful for managers and officers involved in commissioning services or looking at new service delivery models. It can be read as a whole or dipped into for information on specific areas.

It is not intended as a mutuals roadmap or 'how-to' guide, but rather it describes the various types of staff mutual engaging in public service delivery and their particular features and characteristics. This includes information on differences between the various types and legal forms and the impact that this can have on, for example, financing options, governance, tax and reporting requirements.

Many of the chapters include a summary and a list of resources and sources of further information. These are to be found at the end of each chapter. Other resources not linked to a particular chapter are included in chapter thirteen.

Chapter two looks at current definitions of 'mutual' and 'staff mutual' with a view to clarifying their key characteristics and how staff mutuals differ from other organisations involved in public service delivery. The chapter also looks at the variety of types of staff mutual – from those where the staff are one of a number of different stakeholder groups who share ownership of the mutual, to those where staff own 100% of the mutual.

Chapter three considers some of the recent evidence on the benefits associated with staff mutuals. It looks at the benefits linked to member ownership and engagement and to social goals.

Chapter four looks at making the business case for establishing a staff mutual, and provides an overview of areas to cover, including suitability of the mutual model. Also included in this chapter is information on the Mutual Business Detector, which aims to help with ‘... *identifying those services where a mutual approach [is] most likely to be successful.*’<sup>1</sup>

Chapter five runs through the range of legal structures available to staff mutuals. The focus is on incorporated structures, although trusts are also covered as they are sometimes used in combination with other legal structures to provide additional controls and safeguards over resources and decision making.

Chapter six looks at organisational governance in member-based organisations including an overview of governance matters relating to each of the legal structures available to staff mutuals. Also included in this chapter is information on applicable governance codes, including those specifically designed for member-based organisations.

Chapter seven considers the various sources of financing available to staff mutuals. While it does not provide details on every potential source, it does point to key areas and provides a list of useful links. This chapter also looks at how differences in the types of staff mutual can have some impact on their access to the various sources of finance.

Chapter eight takes a more detailed look at shares in staff mutuals. Not all mutuals issue shares and some of those that do limit it to nominal shareholding by each member. But those staff mutuals that are able to issue shares have various options regarding using this as a source of capital for the enterprise. Related concerns covered include who to offer shares to (eg members only or other stakeholders) and the rights attached to particular types of shares.

Chapter nine looks at accounting. While the accounting and reporting adopted by staff mutuals is often similar to that adopted by other businesses, there are some areas where differing approaches can arise. These are generally to do with member ownership and the way in which member benefit is reported.

Chapter ten concentrates on those areas of taxation where the rules and potential tax benefits are closely aligned to the type and legal structure of the staff mutual.

Chapter eleven looks at some aspects of commissioning including a brief introduction to aspects of procurement regulation. The chapter also covers recent government initiatives aimed at supporting diversity in service providers, including the right to provide, the right to challenge and the Public Services (Social Value) Act 2011.

Chapter twelve provides an overview of TUPE and pensions. This is a complex area and so the chapter offers an overview of the topic as well as highlighting some areas for further consideration.

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1. *Mutual Business Detector* (Mutuo, 2011)  
([www.mutuo.co.uk/wp-content/uploads/2011/10/Mutuals-Detector.pdf](http://www.mutuo.co.uk/wp-content/uploads/2011/10/Mutuals-Detector.pdf)).

Chapter thirteen provides information on a number of resources aimed at helping decision making as well as a list of additional resources not covered in the Resources sections in other chapters.

There are also examples of staff mutuals delivering public services included in various chapters. These examples provide a brief description of the enterprise and a web link to more information. Some chapters also include checklists or tables to assist with understanding and decision making. A glossary is included at the end of the publication.