FROM PUBLIC TO MUTUAL SERVICES

Introduction and summary

Co-operative and mutual organisations have a major role to play in the Coalition's emerging policies for providing public services and renewing modern society.

The Coalition's programme for government sets out a vision of what the new government is setting out to achieve. There are three main themes

- moving away from big government, centralisation and top-down control
- redistributing power away from the centre to councils, communities and people in their homes
- helping people to come together, empowering citizens to work together within communities to create a Big Society

The first two are effectively two sides of the same coin: centrally-driven big government ***can only be*** cut down if power is relocated elsewhere – away from the centre. The third theme, however, is essential to ensure that pursuing the first two is not simply an exercise in re-arranging furniture. Big government and bureaucracy are only really reduced if individual people themselves regain – or reclaim – power over their own lives.

It is our argument that mutual and co-operative ideas have a major part to play in delivering these themes and the overall vision. Indeed we do not believe that the vision can be delivered **without** such ideas.

Traditional mutuality, between the mid 19th and mid 20th centuries, established the context in which individuals within communities routinely and normally worked together for collective common benefit. It provided some of the mechanisms by which power was shared locally, and by which citizens were engaged in the essential services they needed. It played a central role in creating the institutions, the culture and society of the UK prior to the emergence of the welfare state. Mutuality was part of the DNA of the welfare state, and informed what is often today characterised as the public sector ethos.

The second half of the 20th century is a very different story. Mutuality was side-lined in the post-war years, particularly in the 1980s and 90s. The basic ideas seemed to have become irrelevant in an individualistic and consumerist age. Mutuality declined.

However, the ideas survived. They were not broken, just out of tune with the contemporary culture. Today, those ideas seem to be finding new resonance. As the search for a new model of public service provision continues and concerns about traditional business models grow, mutuality and co-operation have acquired a new relevance. In fact, in the last ten years mutuality in the UK has been through a substantial period of transformation and renewal.

Many new mutuals have been established to provide public services in health, education and community services. Over 1.5 million users and employees have joined these organisations as members.

There has been significant progress in developing an understanding of what membership can achieve, new ideas about delivering competent governance within the context of a representative democratic structure, as well as progress in new mechanisms to secure a commitment to the public good. Mutuality has been re-emerging to meet the needs of a very different age, and it is no accident that it featured in the manifestos of all three leading parties.

Modern mutuality is needed today to provide the mechanisms through which citizens in communities can participate and have a say – as users and staff – in the provision of essential services. It is needed to help the drive for increased business efficiency based on local accountability. It is needed to provide an alternative business model to traditional companies, a mechanism for trading in the community or public interest, rather than for private interest. It is needed to enable the state to stand back from service delivery, and from bureaucratic regulation.

For those of us who have spent much of the last decade engaged in this renewal of mutuality, the core themes of the Coalition's programme for government have a familiar ring to them; but there are some big differences. They are being openly put forward as convention-challenging, radical reform, which have been put at the heart of the programme for government. So these ideas are not incidental or merely aspirational: they are the opening paragraphs of the Coalition's statement of intent, of its vision. Furthermore, they now define the ground upon which the Coalition is built, and by which it is likely to be judged.

This means that the stakes are high.

However, it is also reassuring to find that the three themes of reducing big government, redistributing power and enabling people to take control of their lives are, in truth, at the heart of the traditions and structures of co-operation and mutuality. It is also reassuring that there are now in existence large and successful modern institutions, based upon a heritage of pro-active citizenship, which captured individual self-interest and by channelling it through collective self-help produced economically sustainable mutuals.

We do not claim that those traditions and structures now have all the answers to today's questions. But we would argue that those traditional institutions and the new mutual organisations described below are a good place to start; and that the hard work and thinking about forms of co-operative and mutual ownership undertaken over recent years are now available to assist in implementing the Coalition's programme.

Cliff Mills
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1. Context

Our proposition is that mutuality has a significant part to play in the work of the Coalition. What is the context for this?

Broadly, it is contained within two over-arching and unfolding stories, in what we usually call the public and private domains.

Public domain

In the public domain, there is a crisis of cost and funding. The post-war settlement, making basic provision for the health, welfare and well-being of all citizens through central taxation, has become problematic and needs to be rethought. The growing cost of provision, the rising expectations of individuals, and the difficulty for democratically elected politicians of telling the electorate that they have to pay more or receive less has resulted in decades of managerial initiatives to secure better value, greater efficiency, and more for less; but it can't go on for ever.

The separation of commissioning and provision (one such managerial initiative) continues to be seen as a key part of securing value and efficiency. It clearly provides a mechanism for doing so, but the act of separation does not of itself guarantee the outcome. Managers doing things differently need to do that. Where that does not happen, there is no mechanism for citizens, as taxpayers or users of public services, to make sure that it does happen.

The commissioner-provider split has other potential benefits. It provides the basis to enable the state to withdraw from the direct costs and the political and financial risks of the ownership of provision. It creates the ability to move from deficit funding to the provision of services on a commercial basis. It helps to remove the risk of political inference in the delivery of vital services, which must be operated for the public benefit.

But there are two big questions at the heart of this unfolding story:

1. Whilst pursuing efficiency and value for money is critical, it does not provide a solution. The growing costs of provision and the rising expectations of service-users are unsustainable on the current basis. The current financial position has to be addressed, and there are now great concerns about likely drastic measures having an impact on those least able to help themselves. But what can the politicians do?

2. Assuming that the state continues to withdraw from the ownership of provision, what is the future model for the ownership of public service providers? Perhaps the biggest challenge at the heart of this question is this: what will be the driver of efficiency in public service provision? We mean here not just lowest cost, but efficiency in the longer-term public interest.

These two issues are fundamental drivers of the need for change, and this is the public sector context for the Coalition's priorities: moving away from big government, centralisation and top-down control; redistributing power away from the centre to councils, communities and people in their homes; helping people to come together, empowering citizens to work together within communities to create a Big Society.

Private domain
In the private domain, the problems we face are shared by other nations. The collapse of the banking sector has not only left a financial problem in its wake; it has confirmed a more serious structural problem. Privately-owned banks do not act in the public interest. Whilst traditional private investor-ownership has been the engine of economic growth, it has its draw-backs, particularly when it dominates to the point where there is no real “biodiversity” of ownership and business models.

The pursuit of private gain has successfully provided an investment incentive for hundreds of years now, but it is not just a lack of biodiversity which is leading people to call for different business models. The diminution of natural resources, the need to cut carbon emissions, the desire to address social inequality and the growing gap between rich and poor – these are all raising questions about the traditional way of doing and funding business.

The emergence in the last decade or so of corporate social responsibility, and a burgeoning sector of new businesses bearing the title “social enterprise” are evidence that something is happening, though financial results still remain the normal measure of success, and the FTSE share index continues to be recognised as the gauge of the health of UK business.

Financial security and a level of prosperity clearly play a part in achieving human happiness, but home, work, leisure and community all play a part. We don’t need researchers to tell us that there is more to life than work and endless pursuit of more; that a more unequal society is a less happy one; and that stillness and human relationships have a vital place. We certainly should be looking at the cause of the recent economic crises and improving regulation where appropriate. But we should also recognise that traditional business models have taken a battering, and there is an appetite for looking at different approaches.

Public and private
Lastly in looking at the broad context, there is a common theme that is emerging in both the public and the private domains. This is the recognition of the legitimacy of a wider range of interests or voices. Both state-ownership and private investor-ownership can justifiably be accused of a narrowness of outlook.

It is clear that employees, customers and users, suppliers, local residents and a wide range of other parties frequently have a legitimate interest, and need to be taken into account, in a whole range of activities. Public consultation, or passing reference in board minutes that certain interests have been taken into account do not necessarily constitute an adequate participation of those wider interests in key decision-making. We are hide-bound by an inherited structural exclusivity. Sovereign control by investors, or the state (or some unelected proxy for the state) may make life easier for managers, but they pose challenges of fairness and personal significance in a modern democracy.

How can mutuality help?

2. The heritage of traditional mutuality

The starting point is to understand where traditional mutuality came from.

This is a story about market failure. In the late eighteenth and early nineteenth centuries, many people could not get access to basic goods and services at a fair price. Food, healthcare, protection against sickness or death of the bread-winner, finance to own their homes – access to things which we today take for granted was either simply not available, or not available at a fair price or on what we would regard as acceptable terms. There was practically no consumer protection, no financial regulation, no employee protection, and no protection of the environment.

For the vast majority of people, the only solution to this was self-help: if they wanted access to something, then they needed to work out the solution themselves. The self-help solution they found was this: if they pooled their need, within communities, for particular goods and services, then they could establish what in today's language we would call a sustainable business. As customers, they could establish a business, which they owned and controlled, to deliver the goods and services they wanted.

It would only work if they committed themselves to trading with their local provider. If they did, then the business could survive. If they were dissatisfied in some respects with what was on offer, as owners of the business (members) it was for them to raise those concerns and get the business to improve. Whilst walking away from the business was an option, the business would not survive and continue to provide local services unless the loyalty of customers was maintained. Where there was effectively no alternative supplier, this was clearly not an outcome that people wanted. So it was normal for members to use their membership rights – their voice and their representative structures – to drive improvement and change, to make sure that their society served their interests as owners and customers.

Such businesses were fundamentally different from traditional businesses. Normally, a business is established where a promoter sees an opportunity (a gap in the market) to provide goods or services and thereby to generate a financial return. Mutual businesses were not established on this basis. They were established simply to provide a service. They needed to be profitable (income must exceed expenditure) and invest for the future; but generating a surplus or profit was not their reason for existence. Their reason for existence was to provide a service where otherwise there would be none, and the community would suffer as a result.

The different types of traditional mutual business (co-operative societies, building societies, friendly societies, mutual insurers) operated in different ways, but the underlying reason for existence – self-help – was the common theme. Perhaps the best known was the co-operative model, where customers bought goods at the local shop, and at the end of the year might receive a dividend based on what they had bought during the year (the co-op "divi"). This was not a distribution of profit in modern terms; it was a post facto price adjustment. The shop had to fix a price at which to sell goods, and that price would be a mark-up on the wholesale price paid, to take account of overheads and provisions in the usual way. But if at the end of the year the business had generated a greater surplus than needed for the business, then it had charged too much, and the surplus should be returned to customers in proportion to what they had paid.

Traditional mutuality emerged as a response to social and economic need. It was the response of people with often desperate needs to find a solution for themselves and others in their community. It was based on self-interest (the need to provide for me and my family), not philanthropy or charity; but the genius of mutuality was that it captured that self-interest, and by channelling it through collective self-help, was able to produce an economically sustainable business.

This was not just an economically sustainable way of doing business. Founded upon principles of equality and democracy, and requiring the interaction between people (co-operation) working together to meet their collective needs, it had a much more profound effect upon society at large. I knew that my weekly payment into the mutual fund brought some protection for my family against my loss of income caused by an accident at work, but they also protected my sick neighbour, and the widow down the street.

So the mutual heritage was much more than a sustainable business model. It was also a model for human relationships, for society: consequently it inculcated a different culture. But fundamentally – and this is where it is becoming relevant for us again today – it was a different model of ownership and governance.

A mutual society was "owned" by its members. The modern western mind generally has a narrow understanding of "ownership", denoting a right over something which can be sold for money. The ownership of a traditional mutual society was not something which could be sold for money. The members owned their society, in the sense that ultimate constitutional control belonged to them: it was for them to agree any change to the constitution, to what their society was permitted to do (objects) or how it was governed. Nobody else "owned" their society – there was no other group, such as investor shareholders behind the scenes. But they could not sell their membership for money. Indeed the very act of doing so would be a destruction of the mutual covenant between the members, what we have come to call "demutualisation".[1]

Ownership by members resulted in very different governance arrangements from those of traditional business. All members were treated equally, and every member had one vote, in spite of varying amounts of capital contribution and varying amounts of trade. Members elected representatives from amongst their number to form a board or committee to have responsibility for overseeing the affairs of the society on behalf of its members. Similar in many respects to the board of directors of a company, that board commonly had the power to appoint and employ a manager to run the day to day affairs of the society. Such a manager, who may become the chief officer of a substantial work-force in a successful society, was not a member of the board or committee: lacking any electoral mandate from the members, a manager remained the servant of the elected committee.

These were the essential characteristics of traditional mutuality.

[1] This is what has happened to many building societies since the 1980s, where the membership has usually been persuaded by management to vote for conversion of their society into a company, resulting in a windfall profit to the members at the time, but the destruction of the mutual bond.

3. From traditional to modern mutuality.

Traditional mutuality was a remarkable success story. By 1948, 14 million people were members of friendly societies as part of this self-help, bottom-up method of social provision. It is an irony that the creation of state provision played a big part in the demise of one part of the traditional movement, as many mutual and friendly societies were swept away to introduce universal provision.

It was greed that did such damage to another part of the traditional mutual sector – the building societies. Although management argued at the time that their societies needed to convert into public limited companies in order to have access to the capital markets to be able to compete with high street banks, the reality was that managers enjoyed substantial increases in remuneration, and members received windfall bonuses out of the reserves which had been built up over many previous generations.. With hindsight, it was a sad development. Ten of the largest building societies were demutualised, accounting for over 70% of the sector's assets.[2]

The decline of the retail co-operative sector in the latter decades of the last century was due to more mundane factors; the growth of competition on the high street and the rapid rise of PLC competitors, the inability to match their executive remuneration packages, the increased mobility of customers giving them even greater choice, and the undoubted decline in the quality of the offering by retail co-operatives all contributed to the decline from over 30% in the mid 60s, to less than 5% in the new millennium.

From dominance to decimation in less than half a century, traditional mutuality took a battering. By the early twenty-first century, it no longer made any sense to people to ***join something*** to access basic goods and services. The age of consumerism and individualism, limitless opportunities created by the internet, and much-increased prosperity as well made us all feel that we were in charge of our own destinies now. How that has all changed since September 2008.

The turning point for mutuality in fact began a number of years earlier. By the late 1990s, there were some in the utilities sector who felt that the recent reforms (transfer into PLC ownership with a state appointed regulator to protect the interests of the public) were merely transitional to some form of modern mutuality. This was not to be[3]. However, a few years later reform of the National Health Service led to the development of a new form of ownership.

The creation of Foundation Trusts in 2003 was a highly significant development. Modelled on traditional co-operative and mutual organisations, they were a new kind of corporate entity known as a "public benefit corporation", created via health legislation. Foundation Trusts have patients, public and staff as members, a representative body called a board of governors (mainly elected by and from members, and partly appointed by partner organisations), and they are run by a board of executive and non-executive directors.

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[2] By 2008, all ten had either lost their independence and been taken over by other banks, or had failed and been taken into public ownership – see "Converting failed financial institutions into mutual organisations": http://www.mutuo.co.uk/wp-content/shared/remutualisation.pdf

[3] The creation of Glas Cymru as the owner of Welsh Water a step in that direction, though without open membership

It was an attempt to create a new business structure for the ownership and delivery of public services, but one that was separated from the state. To those familiar with traditional co-operation, there seemed to be a limited role for members, and limited democratic control over management. Even though the Secretary of State for Health no longer remained responsible to Parliament for their operation, the state still retained substantial control as commissioner, through determining the prices at which Foundation Trusts sold their services (tariff), and indirectly as the appointer of the regulator of Foundation Trusts.

However, the creation of Foundation Trusts was significant for ***what it did***, rather than for what it failed to do. In preparing their forward plans, the board of directors of a Foundation Trust was obliged to have regard to the views of the board of governors.[4] Such a built-in structural right for the local community to have a say in local services was a radical step forwards. The introduction of open membership reconnected local people with the ownership and delivery of local services. It was simply not possible to recreate the individual economic link with members, familiar in traditional mutuality, as healthcare is free at the point of delivery in the NHS.[5] However, membership was still sufficiently interesting to attract more than 1.5 million people.

At the time when Foundation Trusts were being developed in 2002/3, the core principle at the heart of mutuality – ownership by members – was already coming back into use. The improbable context for this was football. The inability of fans to have an adequate say in the running of their club had long been a source of grievance, and the work undertaken in the late 90s in developing modern mutuality had created a new membership model which was capable of addressing this. This work, and the founding of Supporters Direct as a national body to facilitate the emergence of Supporters Trusts has resulted in a thriving new mutual movement of football fans in the majority of professional football clubs in the UK, in some cases leading to outright ownership of the club.

Social housing was the next area of the public sector in which membership was being introduced. The development of the Community Housing Mutual model for the Welsh Assembly Government, and the subsequent emergence of the Community Gateway model, provided an alternative approach for local authorities considering the future ownership of housing stock. In traditional housing associations, there was no democratic accountability of the board to those living in the housing stock they controlled. Through the introduction of a new form of mutuality, a relationship of membership was added to that of tenant, creating the potential for a different dynamic when tenants were balloted on a proposed stock transfer.

Over the next few years, “new mutuals” emerged in a number of sectors including local authority leisure services, Sure Start children’s centres, and out-of-hours GP services. All of these organisations were characterised by member-ownership. In some it was user and staff membership; with GP services it was just staff membership (GPs and other staff). All such organisations employed a professional executive, which was appointed and could be removed by a representative board drawn from a variety of different interests.

[4] The power of the board of governors to remove non-executive directors gives some teeth to this
[5] Patient choice, payment by results and individual budgets do have that potential.

The latest sector to emerge using a new mutual form is the co-operative trust school movement. As the name suggests, this involves a co-operative style membership organisation as a "trust" to own assets and appoint governors, under the last government's programme to encourage all schools to become trust schools.

This re-emergence of mutuality in a diverse range of new sectors has witnessed not just the trialling of a variety of different membership structures. It has also seen much experimentation and learning about different approaches to governance, including directly-elected board members, professional non-executives, and two-tier governance such as the Foundation Trusts.

One of the main differences from the governance of PLCs and traditional mutuality has been the introduction of a range of different interests within the organisational structure, such as the board of governors in a Foundation Trust. By creating a forum within the structure through which a number of different voices can be heard, new mutuals have broken new ground. Such developments have not just helped to break down the domination of a single interest-group, but they have also enabled constructive partnership or co-operative working between different sectors and across traditional boundaries (e.g. health and local government, users and staff, primary and secondary care). These are significant developments the impact of which is not yet widely appreciated.

At the same time as the much more high-profile developments of corporate governance in the PLC sector (the Companies Act 2006, the Cadbury report, Higgs report, and the Combined Code), mutuality has also been going through its own significant statutory evolution and change, via primary and secondary legislation, and the emergence of a number of codes of governance. It has undergone change in order to provide better models for business today, and to rebuild and recreate new mechanisms for accountability.

So mutuality has evolved rapidly over the last ten years. What has it achieved?

4. The achievements of "new mutuality"

An overview of the emerging new mutual movement, and how it has built upon traditional mutuality, would identify the following areas in which it has broken new ground in developing better and more accountable business models.

Governance competence

An absolute priority, whatever the form of corporate ownership, is governance competence – having the right people in positions of responsibility so that good decisions are made, and the business well managed. The subject of "corporate governance" has developed greatly since the Cadbury Report in 1991. No governance structure can ***guarantee*** the quality of decision-making and management[6], but if well-designed, the governance structure should give some assurance of quality, making success more likely and failure less likely.

If the performance of financial mutuals in the recent credit crisis is compared with that of PLCs, it could be argued that the mutual model is more successful at managing risk. This may be due to a different ownership structure and corporate purpose, resulting in a more risk-averse approach to business.

An interesting feature of mutual governance is the holding of office by individuals who have been elected, rather than appointed. How can governance competence be assured with such arrangements?

Below a certain size and complexity of business, this does not tend to be a significant issue, because the constitution normally provides for appointed executives to manage the day to day business, thereby providing some assurance of commercial competence. In such a structure, bigger strategic decisions are usually made on the advice of the appointed professional executives. Even in larger traditional mutual businesses, this issue is addressed by a combination of elected board members and professional non-executive directors (building societies), or a tight definition of the role of the elected board (retail co-operatives).[7]

However, from the perspective of those with no experience of traditional mutuality, and particularly of those ***only*** familiar with a PLC model, the holding of significant office by individuals elected by and from an open constituency of members can be problematic.[8] Whatever your standpoint on this issue, there are two unarguable truths at the heart of governance: (1) the running of any business requires a degree of business competence, and the governance arrangements need to make credible provision to give adequate assurance of such competence; and (2) the "competent" part of business management must be located within governance arrangements which subject those managers to oversight and accountability. This balance between governance competence and accountability is crucial, and in the emergence of modern mutuality, important new ideas are emerging.

[6] Enron, Lehmans and other high-profile corporate failures illustrate this

[7] The Co-operative Group has also now appointed professional non-executive directors

[8] Neither PLCs not traditional mutuals can claim to have the perfect answer. Corporate disasters and scandal happen in spite of well-designed structures and codes of governance. Human beings are fallible.

Out of the Foundation Trust model there is emerging an approach to the governance of large new mutual businesses which has a board of appointed executive and non-executive directors, and another body within the governance which both plays a part in the chain of accountability of the board of directors, but also provides a forum for a variety of different voices to be heard. This involves a new approach to the accountability of executive directors, in which the non-executive directors and the board of governors play an important role.[9]

Membership

A wider range of constituencies of interest is emerging at member-level. The traditional mutual societies tended to be user-based only.[10] However, most of the new mutual organisations have more than one constituency of members – NHS Foundation Trusts (patients, public and staff); leisure services (users and staff); out-of-hours primary care (GPs, other staff). The exceptions are Supporters Trusts which are vehicles for the fans; and social housing, where membership is currently limited to users (tenants).

Representation

A wider range of interests is also being represented at board or strategic level. The constitutions tend to provide for a carefully constructed balance of different voices at a representative level, comprising elected representatives of the membership constituencies, and appointed representatives from key sectors or organisations (usually public sector, or other mutual/community benefit) whose support is critical to success.

Public or community purpose

Traditional mutuality emerged at a time before the existence of modern public services. In today's context, traditional mutual organisations are sometimes characterised or perceived as existing for the private benefit of their members. This is misleading and inaccurate, and ignores the fact that they have open membership, and exist for any who wish to access their services.

Modern mutual organisations tend to have a more overtly public or community purpose. This may be demonstrable through their corporate form (public benefit corporation, community benefit society), or their constitutional commitment to community or public benefit.

It is important today for mutual organisations to be transparently different from organisations which exist and trade for a private benefit, because it is often that very difference which is their attractiveness or unique selling point to commissioners, customers, staff, funders, or other potential supporters.

What next?

So these are the achievements so far of the emerging new mutuality – in membership, representation, governance competence, and community purpose. Where is it going next, and how can it contribute to the Coalition's agenda?

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[9] See http://www.cobbetts.com/OurServices/healthcarelawuk/WhatistheroleofthenonexecutivedirectorsofanNHSfoundationtrust

[10] It is right to point out that most of the large retail consumer co-operatives allow staff to become members, though they do not have their own constituency. Staff capture is prevented by quotas at board level. Also, a number of "worker co-operatives" have emerged from the 1960s onwards.

5. What next for new mutuality?

The first point to make is that the achievements to date represent work-in-progress.

Great strides have been made in developing the idea of membership, with a clearer focus on what it brings (voice, information and representation), a better understanding of what motivates people to become a member and a more realistic picture of what it can achieve. But we are still working to recapture the crucial economic link between the member and their organisation, which is the most powerful driver of engagement and participation.

The representation of wider interests at strategic level (like the board of governors of a foundation trust) is a big step forwards; but it takes time before people understand the nature of the role, how it can be used and what contribution it can make to the business. It also takes time for the partner organisations which have a right to appoint representatives to understand how they can use the new opportunity – to achieve a new way of collaborative working.

Nevertheless, these developments, together with the developments in governance competence and commitment to community purpose, provide a platform for addressing the main issues raised above in the public and private domains.

Public domain
The new model for the ownership of public services is becoming clear: organisations owned by constituencies of users and staff, permanently committed to carrying on business in the public or community interest, and run by professionally competent executives who are held to account within a representative structure which drives efficiency and success in the public interest.

People need to have incentives if they are to change the way they behave, or to spend the time making constructive criticism to drive improvement. One of the problems of the post-War settlement was that it created highly visible service provision, but a largely invisible mechanism of mutual insurance to pay for that provision (taxation and national insurance). Citizens do not tend to connect the cost and availability of services with the financial contribution they are making out of income. Consequently, there have been no incentives for individuals to change behaviour, or to seek to drive efficiency.

We are starting to see the opportunity for such incentives to emerge, with such developments in health and social care as personal budgets, and the possibility of co-payment. Securing the participation of users in the more effective spending of valuable resources is necessary to optimise efficiency. Staff also need to be incentivised to drive improvement; sharing in the membership and representative structures is part of this, and benefiting directly when their organisation does well also needs to be developed further.

A membership-based model of ownership for public services is not just important to provide a viable alternative to replace state-ownership. It is also important in order to meet the pressing need for drastic cuts and reconfiguration of services. There is no doubt that dramatic changes delivered by a state-owned and controlled service will meet fierce resistance. The problem we face is that the public has become used to the availability of a level of services, whilst being detached from the cost implications of delivering such services. However, whilst people are likely to be hostile to any change which amounts to a reduction of what they currently enjoy, many people are nevertheless realistic. It is clear that these are economically challenging times, and public services need to respond. Having the opportunity to play some role, even if limited, in making difficult changes is likely to be preferable to having changes made by detached public sector managers.

Of course service-users and staff will resist change; but where change is unavoidable, service-users and staff are in the best position to optimise the rationalising or rationing of resource in the wider public interest.

Private domain
Many people (including the Coalition) over recent months have expressed a desire for another business model.

Traditional investor-ownership has been the corner-stone of the UK's and many other economies for nearly two hundred years. It has been a story of continual evolution, and that evolution has then informed the development of our laws (both UK, EU and beyond), of commercial practices, and of the businesses and institutions which make up our economy.

Finding "another business model" is a huge task. Contrary to what some may think, it does not just involve getting some lawyers to come up with some clever new constitutions. Essentially, it involves coming up with a different way of doing business, a different way of funding business, and a different way of owning business. It involves coming up with some alternative to the profit motive as the mechanism to drive business performance and renewal. Ultimately it requires an alternative basis for a business to exist – if it is not to make money, what is it for?

As far as we are aware, the only "alternative business model" which has worked on any scale in the UK over the last two hundred years is mutuality. That model is based upon the principle of providing goods and services for all who need them, not the profit motive (though it has an equal imperative to be profitable); so it is a mechanism for providing services, not for delivering a profit. There are no investors in mutual organisations.

Many people find this impossible to understand. They cannot conceive of a business which does not exist in order to deliver a financial reward for somebody; and they do not understand how such a business can be funded. They assume, effectively, that the pursuit of private gain is an essential ingredient of human nature, and that it is the only basis on which funding can be attracted, and a business can succeed. Such a view assumes that humans are fundamentally selfish, and set a higher store on their own material well-being than the interests of the community or society of which they are part. Behavioural economists may well disagree with this. Traditional mutuality proved this to be wrong – at least in times gone by.

Can traditional mutuality be re-invented in a modern format to meet today's needs?

Yes it can be, and actually, it is. Work is continuing on the modernisation of co-operative capital, to move away from the historic model. There needs to be a wider understanding and appreciation of what can be achieved using a different business model, which is based on the provision of capital that may generate some financial compensation for its use, but where the main benefit delivered by such capital is the availability of a service which would otherwise not be available.

It is possible to provide incentives to staff, within the context of mutuality, so that they are rewarded for delivering improved performance. Indeed it would be difficult to drive forward the necessary improvements in efficiency and output without such incentives. But that does not mean that the model unravels; instead it requires a re-balancing of the interests of the participants, consistent with the underlying reason for existence – carrying on business for the public good.

6. New mutuality and the Coalition's programme for government

As has been briefly described above, great strides have been made over the last ten years or so in modernising mutuality, improving its ability to provide efficient modern forms of ownership and governance enabling it to play an increasing role in modern society.

However the Coalition's programme for government now sets a new agenda, and creates a new urgency for driving the growth of modern mutuality.

What do we mean?

In their foreword, David Cameron and Nick Clegg are aspiring to "completely recast the relationship between people and the state; citizens empowered; individual opportunity extended; communities coming together to make lives better." As described in the opening paragraphs above, these are the three basic themes which they articulate - reducing big government, redistributing power and enabling people to take control of their lives. But how do you reduce big government and redistribute power back to people in communities? What can you do to enable people to take control of their lives?

One clear way of doing so is by encouraging the creation of organisations which individuals in communities own and control, through which they can reclaim the power which has effectively been all too willingly surrendered by citizens to the state over recent decades. Mechanisms are needed, which modern mutuality can help to provide, which enable people to claim back responsibility for making decisions affecting their lives – even (or maybe especially) when such decisions are painful ones about reconfiguring essential services and how to spend scarce resources.

We have never been interested in promoting mutuality for ideological or political reasons. Our only interest is in something that works, something that provides a means of delivering goods and services, and is driven to do so efficiently and successfully by the service-users and staff who depend upon it.

Modern mutuality needs to play a bigger part in the efficient and successful delivery of goods and services today. But modern mutuality also needs to be a means to the end of recreating a civic society in which individuals want to take responsibility and control over such matters, rather than handing them over to others to decide on their behalf.

Government can help to provide the means, but we as citizens must work together to achieve the end.

Cliff Mills

Cliff Mills is a practitioner in the law and governance of co-operative, mutual and membership based organisations. He has advised the UK's leading co-operative retail societies for more than 15 years, played a significant part in the development of mutual society legislation, and established the constitution and governance of a substantial number of NHS Foundation Trusts.

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As well as being Principal Associate with Mutuo, Cliff is a consultant with Capsticks Solicitors LLP and Cobbetts LLP.