Initiating mutuals & social enterprise conference

Implementing the right model for your social enterprise and mutual

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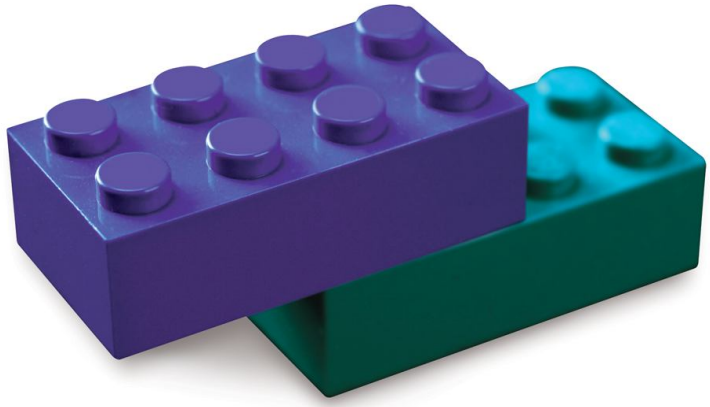

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Areas for discussion

- Understanding the terminology
- The success of the employee owned community interest company model in NHS transitions
- Legal, tax and commercial considerations when establishing your business vehicle
- Taking the plunge – implementing the transformation

Range of mutuals

Mutuals "organisations that are owned by, and run for the benefit of, their current and future members"				
Employee owned companies	Worker co-ops	Consumer, customer and other co-ops	Building societies, friendly societies, mutual insurers etc.	Other entities e.g. NHS Foundation Trusts

Range of social enterprises

Social enterprises
"businesses driven by a social or environmental purpose "

Statutory or other permanent asset lock to ensure objectives achieved:	Voluntary asset lock to ensure objectives achieved:
•charities •community interest companies •industrial and provident societies	•companies limited by guarantee •trading arms of charities etc.

“Employee – led mutuals”

- Co-ops – agree to seven principles of co-operation
- Co-owned companies
- Employee owned companies

Employee owned companies		
Employee benefit trust (“**EBT**”) owned e.g. John Lewis Partnership plc	Combination of EBT and direct share ownership e.g. Sunderland Home Care Associates Ltd	Direct employee share ownership e.g. Central Surrey Health Limited City Health Care Partnership CIC

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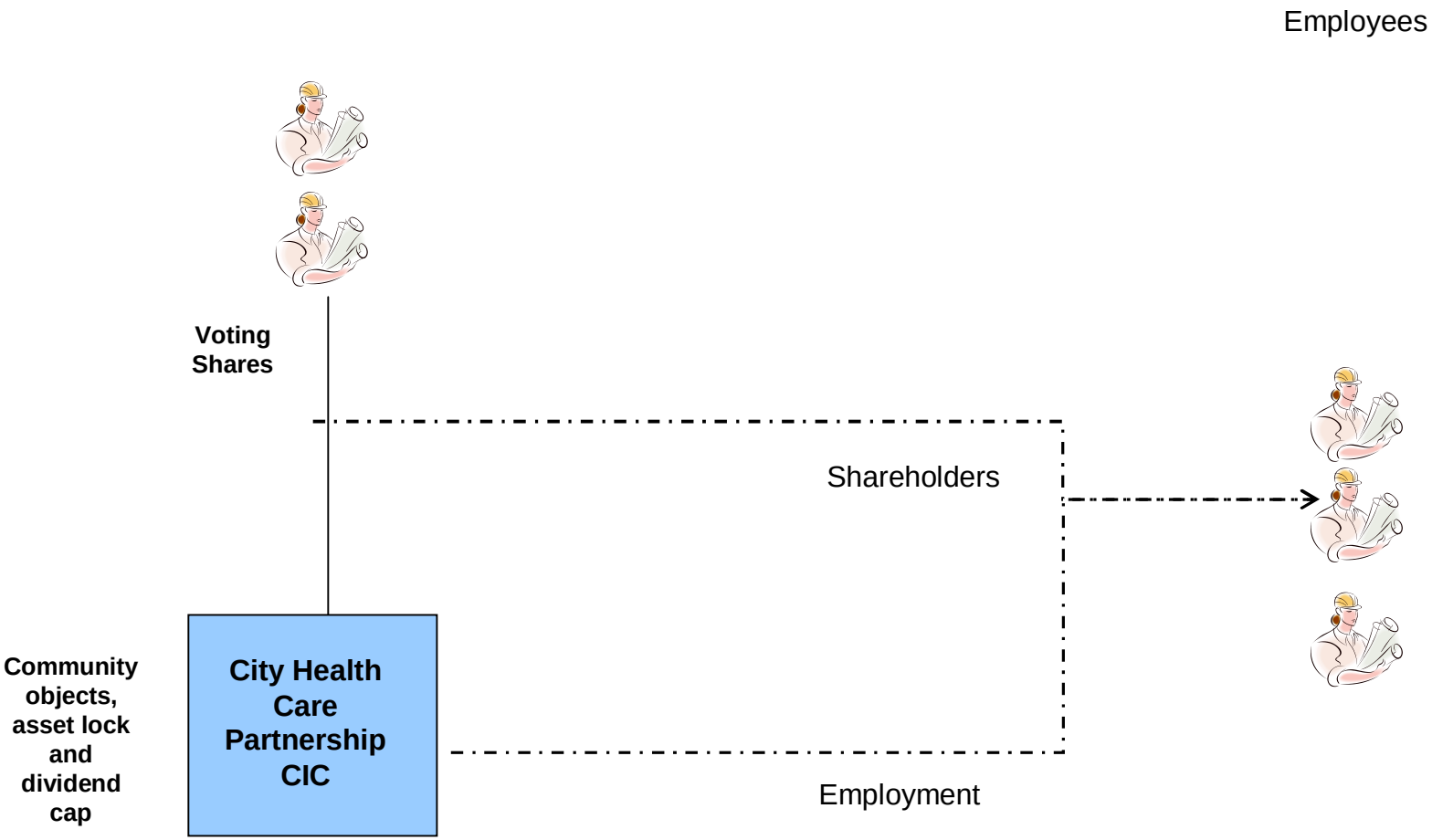


Legal, tax and commercial considerations

What are your jigsaw pieces that need bringing together?

- Achieving genuine employee or customer participation
- Meeting social objectives
- Pensions
- Procurement
- Tax
- Other?

Taking the plunge: Implementing the transformation

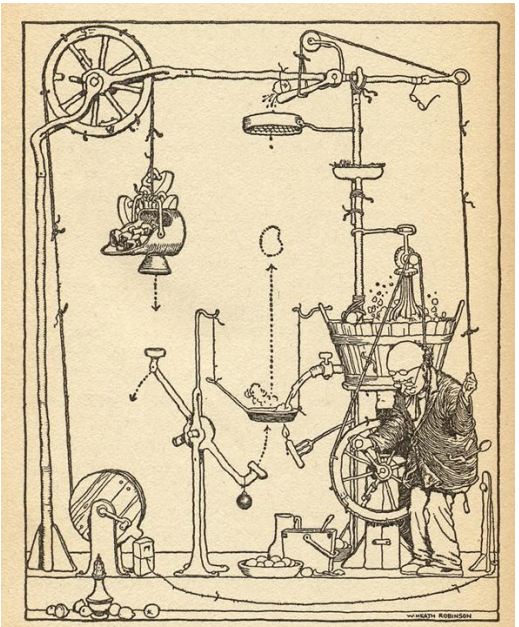
- Business and financial planning
- Governance and management
- Staff engagement
- Implementation
  - identify assets, review + take action
  - transfer mechanics
  - new contractual framework

Business and financial planning

- Business case and business planning:
  - Business case: viability of business and clear justification for way forward
  - Decide objectives and routes to achieving objectives
  - Determine preferred structure and timetable
- Financial planning:
  - Medium-term financial planning to ensure sufficient working capital
  - Integrated business planning to deal with key financial requirements e.g. banks and auditors
  - Commercial approach on financial management communicated and embedded throughout the organisation

Governance and management

- Best practice
- Staff participation and good management
- Regulatory requirements, (e.g. NHS obligations)
- Compliance with company law
- Transparency and accountability



The pancake-making machine

Staff engagement

- Winning hearts and minds
- TUPE
- Information
- Consultation
- Staff morale
- Pension rights

Implementation: Identify assets, review and take action

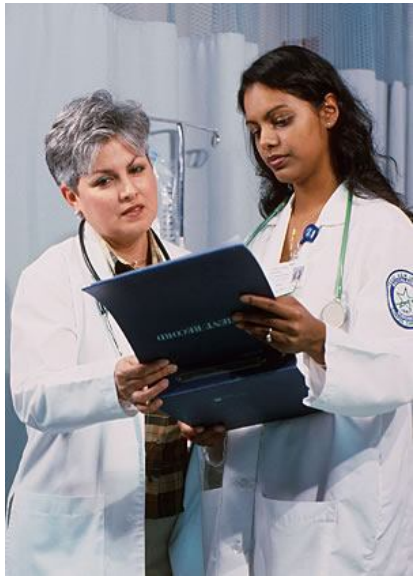
- Gather together details of the business
- Review and investigate
- Take action
  - terminate / discard
  - remedy / improve e.g. liabilities
  - transfer to new body
- Benefit of due diligence:
  - enables risks and liabilities to be assessed and action taken
  - identifies gaps where additional services or equipment required
  - (most importantly) gives assurance that the necessary assets, property and infrastructure are put in place to enable new body to deliver on its service contracts

Implementation: Transfer mechanics

- Transfer agreement sets out:
  - assets transferring or excluded from the transfer
  - position taken in relation to liabilities
  - how property is being dealt with
  - financial provision / working capital
  - provisions for transfer of staff
  - warranties/indemnities
- Ancillary documents will include
  - assignments / transfers relating to property estate
  - IPR assignments
  - facilities management/transitional support agreements
  - contract novations

Implementation: Contractual framework

- Ensure viable business following transition by implementing robust, arm's length delivery contracts
- Important that legal advice is taken on the risks of entering into the contracts
- Devil is in the detail – ensure adequate time is spent on the specifications and KPIs
- Contract management – ensure adequate structures in place to ensure contracts are delivered to the required performance levels



Other questions?