Delivery model	
Public Service Mutual (PSM) Incorporated within existing Trust in Derby	The Department for Culture Media and Sport (DCMS) defines a PSM as an organisation: • that has left the public sector • which continues to deliver public services which has a significant degree of employee control, influence or ownership
Ownership	Typically, a PSM will involve an element of employee-ownership (or at the very least a significant level of employee control or influence through, for example, membership of management boards). There is evidence that this empowerment of staff can result in increased staff engagement and productivity. The model also allows for the involvement of a range of other stakeholders, possibly including community groups and the council. Depending on the intended ownership and governance arrangements, stakeholders (staff, community groups, Friends Groups and the council) may own part of the PSM and sit on the board of directors. Several advisory groups could be established to ensure that stakeholders are effectively represented and are able to influence the PSM's strategic direction.
Governance	Board membership dependent upon ownership. SLA/contract with council(s). Well positioned to promote co-production.
Services	Flexible - can deliver services to councils, private or VCS customers
Staff Transfer	Employees of the library service would transfer to the PMS with their employment conditions protected by Transfer of Undertakings (Protection of Employment) regulations (TUPE).
Use of surpluses	As an independent entity, the PSM is typically in a position to decide how it uses any surpluses that it generates. Options for surpluses retained by the PSM include reinvestment in new services, investment in new assets or channelling funds into a reserve account. The use of surpluses may be limited by the PSM's status, should it operate as a social enterprise or charity.

	Like any company, PSMs are required to pay corporation tax and VAT.
Procurement Process	Councils can make use of a number of procurement routes: from the council directly awarding the contract to the PSM, through to undertaking a public procurement exercise. An analysis of the potential procurement routes Typically the PSM will hold a contract with the council, often referred to as the 'core contract'. Despite the core contract, the PSM will need to think commercially, which may mean looking for ways to reduce dependence on the core contract (e.g. diversify income streams through the expansion of current services or the development of new services).
Commercial freedom	PSMs have significant commercial freedoms and flexibility to 'deliver differently'. As staff will play an important role within the new entity, they (along with community stakeholders if included within the PSM's governance structure) are well placed to influence the PSM's strategic direction and the type of services delivered. Staff and communities can play an important role in shaping services to reflect local needs, piloting innovative services through the re-investment of surpluses generated by the PSM.
Potential Advantages	- transferring to an independent PSM can provide the library service with the opportunity to break from the past and join an established organisation with a focus on libraries - the business plan would demonstrate how the strengths of the organisation can be maximised while, at the same time, developing plans to address areas of weakness - operating as a PSM may increase the level of freedom and autonomy experienced by staff and managers, enabling them to be more creative within their roles - a new organisational culture can be established, leading to staff playing an increasing role in making decisions at an operational level which in turn can increase levels of staff engagement and motivation - depending on the ownership and governance model assumed by the PSM, staff, community groups and Friends Groups (as well as other relevant stakeholders) will be in a strong position to influence the strategic direction of the organisation, thus giving the community a voice - involving stakeholders (staff, community groups and Friends Groups in the decision making process, will provide them with power to address issues and bring about a positive change

	- decision making processes may involve fewer layers of bureaucracy, resulting in more timely decisions being made which benefit staff, communities and increase the sustainability of the PSM - as PSMs experience a high degree of commercial freedom, they are able to explore new areas of service growth and may be incentivised to generate income from new sources to offset reductions in the level of funding received from the council - by empowering employees and communities to design and improve their services, PSMs are well placed to encourage innovation, for example they could pilot new services (designed by staff and communities) on a small scale - if pilots are successful, and show significant social impact and value, they can be scaled up and potentially procured by public bodies - as an independent entity, the PSM will be in a position to reinvest profits back into the organisation, fuelling innovation and a needs-led approach to service delivery - they appear to demonstrate greater levels of efficiency, particularly in terms of lower levels of absenteeism and staff turnover - being in a position to procure services in a more cost effective way (for example back-office support services) - depending on the chosen legal form and constitution, a library service PSM may qualify as a social enterprise or charity, meaning that it may be eligible for grant funding opportunities not available to in-house council services.
Potential Disadvantages	It requires close working with a number of council departments (such as legal, finance, HR and property/premises) and support from external experts. There may be significant costs to change, the nature of which need to be understood by all parties. It should also be accepted that changes to the way services are delivered may take time. The immediate challenges for PSMs once established usually involve ensuring business continuity and stabilising the service after significant reductions in funding and the move to a new organisational entity.

	While PSMs may realise significant efficiencies, the decision to transfer to a PSM should not be primarily motivated by making efficiencies. Councils investigating the PSM model from a cost cutting perspective risk 'setting the organisation up to fail'. Equal (if not more) attention needs to be paid to ensuring the sustainability of the service through delivering differently, modernising the library offer and diversifying income streams across the service. Initially at least, most PSMs are reliant on their core contract held with the council. Over-reliance on this is a significant business risk. The challenge for PSMs is to diversify their income streams and reduce their dependence on the core contract. Ensuring the involvement of staff, community groups and friends groups in the process can be a challenge. While it may be widely accepted that 'doing nothing is not an option', there is often resistance to change. The challenge of engaging with a wide range of stakeholders is significant, although it also presents the opportunity of meaningfully involving them in designing the service's future function and strategic direction. The staff group transferring to the PSM often does not possess all of the skills and capabilities needed to operate a commercially disciplined business. While training and development can help, PSMs may need to employ new staff at a management level or recruit non-executive directors to the board to make sure the organisation has the necessary skills, experience and expertise to be sustainable. Like any independent company, PSMs are required to pay VAT and corporation tax.

Delivery model	
Public Service Mutual (PSM) Set up new Trust	The Department for Culture Media and Sport (DCMS) defines a PSM as an organisation: • that has left the public sector (also known as 'spinning out') • which continues to deliver public services which has a significant degree of employee control, influence or ownership
Ownership	Variety of options: council and staff, staff and community, 100% staff Typically a PSM will involve an element of employee-ownership (or at the very least a significant level of employee control or influence through, for example, membership of management boards). There is evidence that this empowerment of staff can result in increased staff engagement and productivity. The model also allows for the involvement of a range of other stakeholders, possibly including community groups and the council. Depending on the intended ownership and governance arrangements, stakeholders (staff, community groups, Friends Groups and the council) may own part of the PSM and sit on the board of directors. Several advisory groups could be established to ensure that stakeholders are effectively represented and are able to influence the PSM's strategic direction.
Governance	Can be designed as required. Board membership dependent upon ownership. SLA/contract with council(s). Well positioned to promote co-production
Services	Flexible - can deliver services to councils, private or VCS customers
Staff Transfer	Employees of the library service would transfer to the PMS with their employment conditions protected by Transfer of Undertakings (Protection of Employment) regulations (TUPE).
Use of surpluses	As an independent entity, the PSM is typically in a position to decide how it uses any surpluses that it generates, although it is possible to include some council 'claw back' of

	surpluses as part of the core contract. Options for surpluses retained by the PSM include reinvestment in new services, investment in new assets or channelling funds into a reserve account. The use of surpluses may be limited by the PSM's status, should it operate as a social enterprise or charity. Like any company, PSMs are required to pay corporation tax and VAT.
Procurement Process	PSMs are typically established by a staff group 'spinning out' of the council. This requires the support of councillors and council commissioners, as well as broad support from library staff. Councils can make use of a number of procurement routes: from the council directly awarding the contract to the PSM, through to undertaking a public procurement exercise. An analysis of the potential procurement routes Typically the PSM will hold a contract with the council, often referred to as the 'core contract'. Despite the core contract, the PSM will need to think commercially, which may mean looking for ways to reduce dependence on the core contract (e.g. diversify income streams through the expansion of current services or the development of new services).
Commercial freedom	PSMs have significant commercial freedoms and flexibility to 'deliver differently'. As staff will play an important role within the new entity, they (along with community stakeholders if included within the PSM's governance structure) are well placed to influence the PSM's strategic direction and the type of services delivered. Staff and communities can play an important role in shaping services to reflect local needs, piloting innovative services through the re-investment of surpluses generated by the PSM.
Potential Advantages	• becoming an independent PSM can provide the library service with the opportunity to break from the past and establish an organisation with a single focus on libraries • the business plan would demonstrate how the strengths of the organisation can be maximised while, at the same time, developing plans to address areas of weakness • operating as a PSM may increase the level of freedom and autonomy experienced by staff and managers, enabling them to be more creative within their roles • a new organisational culture can be established, leading to staff playing an increasing role in making decisions at an operational level which in turn can increase levels of staff engagement and motivation

	- depending on the ownership and governance model assumed by the PSM, staff, community groups and Friends Groups (as well as other relevant stakeholders) will be in a strong position to influence the strategic direction of the organisation, thus giving the community a voice - involving stakeholders (staff, community groups and Friends Groups in the decision making process, will provide them with power to address issues and bring about a positive change - decision making processes may involve fewer layers of bureaucracy, resulting in more timely decisions being made which benefit staff, communities and increase the sustainability of the PSM - as PSMs experience a high degree of commercial freedom, they are able to explore new areas of service growth and may be incentivised to generate income from new sources to offset reductions in the level of funding received from the council - by empowering employees and communities to design and improve their services, PSMs are well placed to encourage innovation, for example they could pilot new services (designed by staff and communities) on a small scale - if pilots are successful, and show significant social impact and value, they can be scaled up and potentially procured by public bodies - as an independent entity, the PSM will be in a position to reinvest profits back into the organisation, fuelling innovation and a needs-led approach to service delivery - they appear to demonstrate greater levels of efficiency, particularly in terms of lower levels of absenteeism and staff turnover - being in a position to procure services in a more cost effective way (for example back-office support services) - depending on the chosen legal form and constitution, a library service PSM may qualify as a social enterprise or charity, meaning that it may be eligible for grant funding opportunities not available to in-house council services
Potential Disadvantages	The process of establishing a PSM can be complicated, resource intensive and time consuming.

	It requires close working with a number of council departments (such as legal, finance, HR and property/premises) and support from external experts. There may be significant costs to change, the nature of which need to be understood by all parties. It should also be accepted that changes to the way services are delivered may take time. The immediate challenges for PSMs once established usually involve ensuring business continuity and stabilising the service after significant reductions in funding and the move to a new organisational entity. While PSMs may realise significant efficiencies, the decision to establish a PSM should not be primarily motivated by making efficiencies. Councils investigating the PSM model from a cost cutting perspective risk 'setting the organisation up to fail'. Equal (if not more) attention needs to be paid to ensuring the sustainability of the service through delivering differently, modernising the library offer and diversifying income streams across the service. Initially at least, most PSMs are reliant on their core contract held with the council. Over-reliance on this is a significant business risk. The challenge for PSMs is to diversify their income streams and reduce their dependence on the core contract. Ensuring the involvement of staff, community groups and friends groups in the process can be a challenge. While it may be widely accepted that 'doing nothing is not an option', there is often resistance to change. The challenge of engaging with a wide range of stakeholders is significant, although it also presents the opportunity of meaningfully involving them in designing the service's future function and strategic direction. The staff group transferring to the PSM often does not possess all of the skills and capabilities needed to operate a commercially disciplined business. While training and development can help, PSMs may need to employ new staff at a management

	level or recruit non-executive directors to the board to make sure the organisation has the necessary skills, experience and expertise to be sustainable. Like any independent company, PSMs are required to pay VAT and corporation tax.