

IS THE FEELING MUTUAL?

**New Ways of Designing and Delivering
Public Services in Wales**

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1. INTRODUCTION

'There is a co-operatives zeitgeist internationally and Wales is very well placed'

Pat Conaty

The Minister for Economy Science and Transport and the Minister for Public Services jointly commissioned this work into the scope for potential mutual models in public service delivery. It was clear from the outset that this approach has growing support particularly as an alternative to privatisation, redundancies or service closure. But, as I hope this report will help demonstrate, there are also other positive reasons to embrace models that improve the relationship with citizens and the quality of services.

The report is based on a series of interviews with local authority leaders, representatives of national bodies and other experts in the field as well as research into current and emerging practice. I am extremely grateful to everyone for generously giving their time and support although I bear full and final responsibility for the report's contents.

I have been primarily concerned with local authority services, the workers who deliver them and the communities that rely on them. I have also touched on the growing number of examples of councils working with other public bodies including the health service as well as voluntary sector partners on innovative delivery models.

The public service landscape is already pluralistic and increasingly so. Take local leisure centres as an example. A few years ago the vast majority would have been council owned and run. Today a growing number are managed by or have even transferred to a range of organisations that includes arms-length bodies, local community trusts, user and staff mutuals, third sector specialist providers, private contractors as well as, albeit in a dwindling number of instances, local authorities themselves. Given the scale and pace of change, it was little wonder that a council leader told me that, in their view, the local authority owned and run leisure centre will eventually become an extinct species in Wales.

This one service area may not be typical but I have discovered that the challenges and responses to them are common. Whichever service is being reviewed, whatever the model being considered, long term viability, the terms and conditions of workers and accountability to the community have arisen as major issues to be addressed.

This report is underpinned by the work of Professor Andrew Davies *Co-operative and Mutuals Commission* and the ideas outlined in the White Paper *Reforming Local Government: Power to Local People*. These are two more examples of a quest for new approaches that is pretty much across government and also includes social care, housing and tackling poverty. The common thread is the desire to ensure that future service delivery is both citizen centred and democratically accountable to local

communities including through co-operatives, mutuals, social enterprises and other not-for-profits.

In this report I have chosen to use the term *alternative delivery models* (ADMs) to describe these collectively but have also widened the scope to include charities and other voluntary sector organisations, and so anything that is not public or private sector potentially falls within this definition. It applies to big and small organisations that in either case may be new or long established. I have also chosen to use the term *transformation* specifically to describe the changes ADMs are bringing to public services because they don't just involve a transactional change of ownership. I also want to stress that when I use the term I am not referring to the wider process of local government reform instigated by the *Williams Commission* report and the publication of the White Paper.

The intention is not to repeat the comprehensive work of the Co-operatives and Mutuals Commission, now reconvened by the Minister to review the report and recommendations. I have however worked very closely with and have drawn on the knowledge and expertise of Hywel Evans who is undertaking the review to ensure that there is a consistent approach across two projects that are clearly interlinked.

Everyone agrees on the scale of the financial and other challenges ahead and that there are risks in any new approaches – from business failure to loss of democratic accountability. But there is unanimity too that standing still is not an option, indeed that inaction could result in the worst outcome of all – disappearing services leading to large scale redundancies, citizens unable to meet their essential needs and increasing community frustration and anger. The recent general election campaign and result gave little comfort to the many people who like me argued for increased spending on local government services. It does mean however that the pursuit of viable, sustainable models of delivery that put citizen power and democratic accountability at their heart are now the essential rather than optional way forward in Wales.

Keith Edwards

May 2015

2. EXECUTIVE SUMMARY

Local Authorities

Continuing austerity and increasing demand for services due to demographic changes have meant that innovative Alternative Delivery Models (ADMs) are increasingly seen as the best way to avoid closing or privatising services.

From the WLGA perspective whilst there is recognition that ADMs are being developed in many areas, there will always be 'red lines' where direct public provision should be the norm especially in relation to many statutory services.

In many other areas – Leisure, Libraries and Housing for example – ADMs have been or are being developed and the trend is increasing.

The opportunity exists for local authorities to combine to create mutual organisations, for example, to provide translation services, procurement support and community library services support.

Many local authorities have been developing their own transformational strategies for some time.

There is an overwhelming desire to ensure that public service reform is sustainable this time and a weariness with 'initiativitis' based on previous experience.

Knowledge transfer and sharing of practice between authorities is not very well developed although there are some good examples of individual authorities taking the initiative.

A number of authorities are taking a 'whole council' approach with clear strategic direction helping to avoid dealing with transformation in a piecemeal way.

Many councils are cautious about having unrealistic expectations of the timescales needed to build capacity of partners and communities but equally they are aware that they will need community support to achieve transformation.

Workers and Trade Unions

At a national level the trade unions remain largely unconvinced that ADMs offer a viable and sustainable alternative to direct public provision of services.

At a local level workers and their trade union representatives although opposed to transfer of services often take a pragmatic approach where they recognise that it may not be sustainable to retain all current services 'in house'.

Unions have expressed concern that local representatives are not receiving sufficient support from employers to fully engage in options appraisals from the outset.

There is interest from unions in options to 'insource' services to mutuals from the private sector.

Trade unions could play a leading role in exploring the viability of agency worker co-operatives for nursing, social care and teaching.

Unions have concerns about terms and conditions including trade union recognition, pensions and establishing a 'two tier' workforce.

Town and Community Councils

The potential exists for the 730 Town and Community Councils (T&CCs) to play an increasing role in taking over assets and services on behalf of the community.

Many T&CCs are already involved in local service transformation helping to secure community accountability and contributing some limited financial resources.

A strong message of the value and potential Welsh Government sees in T&CCs would help speed up the process of them playing a leading role in transformation.

Registered Social Landlords

Registered Social landlords (RSLs) have a long track record of delivering 'housing plus' initiatives in partnership with their local authority or other public bodies.

Stock transfer organisations offer particular lessons for the development of ADMs because they successfully achieved transformation on a massive scale and won the support of workers and tenants in the process.

The RSL sector largely welcomes the prospect of increased partnership working on the transformation agenda provided boards are convinced that proposals are consistent with their values and objectives and that risks are manageable.

The Third Sector

The Wales Council for Voluntary Action (WCVA), as the sector representative body, has a strong pedigree when it comes to promoting and supporting volunteering in partnership with its extensive membership that include charities and social enterprises.

Local County Voluntary Councils are themselves under financial pressure as their income from projects and local authorities has decreased but could play an increasing role in community engagement if adequately resourced.

A number of larger voluntary organisations already deliver services that in many cases complement those provided by the public sector or involve extensive partnership working.

Citizens and Communities

If greater citizen involvement is to succeed, there will need to be more sharing of power and responsibility between Local Authorities and the communities they serve.

Every authority has provided information to citizens on the financial challenges faced and the possible impact on services. A variety of means have been deployed

including dedicated web pages, newsletters, public meetings, roadshows and the use of social media.

Many authorities are taking a more proactive approach to encouraging communities to help set service priorities as well as considering setting up and running ADMs. Support has been provided through in-house community engagement teams or by commissioning external partners.

Worker and User Mutuals

Wales is leading the way in encouraging and supporting the development of social care co-operatives, mutual and social enterprises in through the provisions of the Social Services and Wellbeing Act.

Although progress has been limited to date the direction of travel is clear and distinct from the approach being taken in England.

Public Sector Agency Workers

Although the potential to develop supply teaching, nursing and social care co-operatives as an alternative to private provision has been recognised by Welsh Government and others, further work is needed to explore whether viable and sustainable ADMs can be established.

Achieving Transformation

Welsh Government needs to collectively embrace transformation and set out a long term vision. This will need to be supported by a full range of interventions including legislation, expert advice, regulation, guidance, practical resources, funding, co-operative education, support for innovation and developing partnership protocols.

There needs to be a comprehensive framework for transformation that includes high level and renewed partnership between Welsh Government and partners based on shared values and specific 'asks' and 'offers'.

With unprecedented pressures on budgets, securing resources to support transformation has to start by considering what can be achieved through bending or top slicing existing programmes and the resources of partners.

The scale of the challenges mean that new resources, both financial and in terms of expertise to support transformation, will also have to be found by Welsh Government, local authorities and from other sources.

Mutual and other democratic models often take considerable time to develop to maturity and are best launched off a 'slowly burning platform'. This may not sit well with the pressure to scale up at pace, but there a number of initiatives that can help to address this tension.

There are opportunities to instil in the existing not-for-profit sector a greater sense of responsibility for supporting the growth of new organisations consistent with International Co-operative Principle 6 that 'Co-ops should help other Co-ops'.

As well as seeking a commitment for partners to sign up to the principle, simple guidance could be produced on how to put this into practice.

Sharing Innovative Practice

Wales could become a 'Co-operative Country' and attract interest and support from a variety of think tanks and support organisations to further develop the principles and practices.

Local authorities should increasingly be learning organisations and good practice needs to be scaled up at a far greater pace.

The range of innovative practice is extensive and growing wider and there are some areas that a number of authorities and partners have experience in that offer clear opportunities for learning and early replication.

3. SETTING THE SCENE

'Councillor Aneurin Bevan and his colleagues sought to put in place co-operative health solutions for their local community. The records are a reminder that at its best, local government in Wales has always had an activist nature, engaging co-operatively with local communities to find collective solutions'

Reforming Local Government: Power to Local People

According to the white paper *Reforming Local Government: Power to Local People* there is an 'historic' opportunity emerging in Wales for mutualism, co-operation and social enterprises in the transformation of public services. A number of things are coming together at the same time to support this view – the renewed momentum behind the *Wales Co-operative and Mutuals Commission*, the provisions of the *Social Care and Well Being Act*, specific initiatives such as the Co-operative Housing project – and of course the white paper itself. The provisions of *Well-being of Future Generations (Wales) Act*, enabling Local Government to determine with local people the bulk of local priorities, will also have a major impact. It is reasonable to conclude that developing ADMs is becoming a common means of transforming the way we do things across Government rather than a niche and siloed activity.

Continuing austerity and increasing demand for services due to demographic changes have meant that ADMs are increasingly seen by authorities themselves as the best way to avoid closing or privatising services. As a result there are a number of fundamental points of agreement between Welsh Government and local government:

- There is a very little support for further privatisation of public services;
- Given the scale and long term nature of the challenge to public services, 'business as usual' is not an option;
- There is a growing willingness to explore a full range of not-for-profit models as long as they are accountable to local people;
- There is an overwhelming desire to ensure that reform is truly sustainable this time – there is a weariness with 'initiativitis' based on previous public service reform false dawns;
- There is a strong desire to protect employee terms and conditions and ensure trades union recognition;
- There is recognition of the need for a properly resourced framework to support successful and sustainable implementation.

4. CHANGE PARTNERS

Successful transformation will be impossible without the engagement and support of key national and local partners.

3.1 Local Government

'This is not an easy time for anyone in local government, whether they are councillors or council workers. It is therefore critical that we ... focus on key priorities and learn from the best practice – tried and trusted as well as innovative'

Reforming Local Government: Power to Local People

The White Paper *Reforming Local Government: Power to Local People* is clear that control over public services will continue to be democratically led with the public sector itself the 'primary deliverer'. However there is widespread recognition that simply delivering services as we always have done is unsustainable, given that local authorities face the 'double whammy' of progressively less funding and increasing demand driven by demographic changes. It is no surprise therefore that, well in advance of the White Paper, many authorities were developing their own transformational strategies apace.

A key aim of the project was to find out the views of local authority leaders and senior officers on opportunities for new ways of delivering services by ADMs. There was also a focus on identifying the main barriers to this approach, the support and resources needed to take this forward and potential partner organisations that could assist or work jointly on any initiatives.

The interviews with leaders confirmed that there is universal awareness of both scale of the challenges and the need to review and remodel many services, usually with both service-user engagement and increased community involvement. As a consequence there is evidence of a range of approaches and initiatives already happening across Wales

From the WLGA perspective whilst there is recognition that ADMs are being developed in many areas, there will always be 'red lines' where direct public provision should always be the norm especially in relation to many statutory services. In many other areas – Leisure, Libraries and Housing for example – ADMs have been or are being developed and the trend is increasing.

The opportunity for local authorities to combine – regionally, by specialism or through WLGA – to create mutual organisations has been raised a number of times, for example, to provide translation services, procurement support and community library services support.

At a local authority level an extensive range of approaches and initiatives are being considered and increasingly developed and in the words of one leader apart, from

privatisation, 'everything else is on the table'. Some authorities have mapped the range of governance and service delivery models they are considering and this includes:

- *Whole Authority transformation* including challenging all current service provision models or creating one 'super department' for non-statutory services;
- *Partnering and Collaboration* such as the 'school to school' model under the Schools Challenge;
- *Shared Services* for example, combining housing strategy or procurement functions across neighbouring authorities;
- *Trading Companies* such as affordable housing development initiatives;
- *Arms Length Management Organisations* in relation to leisure centres for example;
- *Community Interest Companies* such as local service delivery boards;
- *Mutuals and Co-operatives* such as the co-operative housing project or in relation to adult social care;
- *Place-based Community Governance* such as Town Teams;
- *Asset Transfers* as with housing stock transfer and more recently in a range of community facilities.

'Let's not try to solve the same problem twenty two times'

Local Authority Leader

Many authorities have ring-fenced resources to support transformation including running publicity campaigns, establishing dedicated posts and making transitional funding available which communities can directly access. In a number of instances processes are being streamlined, recognising that local people often need rapid access to support and advice to make sure opportunities are not lost and to keep the momentum going. The critical issue is that, even in times of severe financial pressure – perhaps especially so - there is a need to identify additional resources both financial and in terms of expertise, to support transformation.

Knowledge transfer and sharing of practice between authorities is not very well developed although there are some good examples of individual authorities taking

the initiative with a number joining established networks, or developing their own practice 'twinning' relationships, including with English councils.

There are a number of specific areas on which local government leaders have suggested that Welsh Government could support the delivery of transformation:

- Sending a positive message on the current and emerging role of authorities in service transformation;
- Defining and jointly resourcing a framework to support transformation;
- Issuing guidance to underpin a national approach to workforce issues such as TUPE and pensions;
- Developing national 'branding' for the transformation programme to capture the imagination and ensure engagement of the public;
- Reviewing and streamlining funding and support processes and producing guidance on what is available;
- Minimising bureaucracy and red tape;
- Producing guidance and providing support on procurement and ADMs;
- Providing resources for any additional duties through legislation;
- Freeing up councils from legal barriers to trading and recycling surpluses into services;
- Exploring opportunities for fiscal and other incentives.

'I'm not in politics to cut and shut'

Local Authority Leader

A number of authorities are taking a 'whole council' approach with clear strategic direction helping to avoid a piecemeal approach and commissioning support in a coordinated way and therefore more cost effectively. Many councils also caution however about having realistic expectations of the timescales involved to support transformation and emphasise the need to build capacity of partners and communities.

3.2 Workers and Trade Unions

'The key issues are control and accountability'

Trade Union Official

The Trade Union and Co-operative Movements have a long tradition of shared values. More recently in Wales, the Wales TUC was the key driver behind establishing the Wales Co-operative Centre to provide employment opportunities in the 1980s as an alternative to closure and redundancies, an earlier, mainly private sector version of 'cut and shut'.

At a national level, the trade unions remain largely unconvinced that ADMs offer a viable and sustainable alternative to direct public provision of services. However the Wales TUC is prepared to work with authorities to develop arms length models, for example, bringing together leisure centres across a number of authorities on the basis that they could be transferred back into direct local authority control after any reorganisation of local government.

At a local level, workers and their trade union representatives, although opposed to transfer of services, often take a pragmatic approach given the severe financial pressures local authorities are under particularly where they recognise that it may not be sustainable to retain all current services 'in house'. There is often common ground between local government as employers and their workers and support for joint work with unions such as that undertaken by APSE based on common public service principles. Unions have expressed some concern that representatives are not receiving sufficient support locally from employers to fully engage in options appraisals from the outset.

There is some interest from unions in options to 'insource' services to mutuals from the private sector and this opportunity is recognised in the White Paper 'where this provides better value and better services for our communities'. This could be encouraged by supporting unions to develop their own models of employee and user-based ownership models. This could also include taking the lead in exploring the viability of agency worker co-operatives for nursing, social care and teaching

Both at a national and local level, there are real concerns about threats to terms and conditions including trade union recognition, pensions and establishing a 'two tier' workforce. The Wales TUC is seeking agreement on principles and practices through a new Memorandum of Understanding, opening the way for a new protocol based on shared values and an 'ask and offer' of Welsh Government and the trade unions.

3.3 Town and Community Councils

'All Councils should be Activist Councils'

Reforming Local Government: Power to Local People

The potential of the 730 Town and Community Councils (T&CCs) to play an increasing role in local delivery has been repeatedly mentioned. A significant number of examples have been cited where they are involved in taking over assets and services such as community theatres and libraries. Two clear advantages of this are the continuity of local accountability and the ability to input relatively modest sums at the critically important early stages of development.

Local authorities, whilst able to point to a significant number of effective partnerships across Wales, are also concerned about unrealistic expectations and the lack of capacity, particularly for smaller T&CCs. Certainly the ability and appetite to engage will vary but there are some relatively large town councils - Barry Town Council for example, serves a population of 45,000. *One Voice Wales* is of the opinion that relatively modest resources from Welsh Government could support the sector to step up.

There is some frustration amongst T&CCs that they are undervalued and unrecognised and a weariness dating back to Beecham that they have 'heard it all before'. A strong message of the value and potential Welsh Government sees in T&CCs, as well as invitations to participate in key forums as a 'top table' partner, would be welcome by the sector and help validate its role in local service delivery.

The range of examples of T&CCs across Wales getting more engaged with their communities in agreeing local priorities and developing innovative models of designing and delivering services includes:

- Undertaking major consultation events to determine priorities;
- Developing local action plans;
- Establishing new models of community governance based on partnerships with local people and organisations;
- Taking over the ownership of community assets and developing business plans;
- Accessing external funding and developing income streams that can be recycled into local services.

3.4 Registered Social Landlords

'The next eighteen months offer a unique chance to define the role of housing associations in a changing environment and make the case for investment to deliver potential'

Community Housing Cymru

The relationship between Welsh Government and registered social landlords (RSLs), made up of housing associations and community mutuals, is strong and contrasts with that in England in particular. This needs to be nurtured recognising the potential of the sector to continue to jointly deliver social, economic and environmental outcomes across Wales. Housing associations and stock transfer organisations are themselves ADMs with the former having taken on the responsibility to build new social housing from the late 1980s and the latter having taken over council housing of half of the local authorities in Wales since 2003. They are organisations with strong asset bases and income streams, are major employers and have shown long term business resilience.

RSLs will often share common social, economic and environmental values with Welsh Government and local government. They have a track record stretching back decades in delivering 'housing plus' initiatives, most of which have involved some form of partnership with their local authority or other public bodies such as the NHS. Initiatives cover:

- Housing and Health partnership projects;
- Extra Care and other Residential Care;
- Community Regeneration programmes;
- Environmental improvement programmes;
- Employment and Training programmes;
- Supporting the development of local Co-operatives and Social Enterprises;
- Family Intervention projects;
- Establishing Tenant and Worker Co-operatives;
- Co-operative Housing schemes.

Since 2003 in eleven local authorities tenants voted to transfer their homes to new community mutual or other community focussed housing associations. Stock transfers offer particular lessons for the development of ADMs because they

successfully achieved transformation on a massive scale and won the support of workers and tenants in the process. They also have strong links with the authorities they grew out of and democratic participation by tenants and the community is in the DNA of their governance. Whilst nominally *transfer* organisations they could be seen as *transformation* bodies in the way they have embraced innovation, extended their activities well beyond the services transferred and are increasingly seeking to become major agents of change and regeneration in their locality and sometimes beyond.

The RSL sector as a whole is clearly up for increased partnership working, provided their boards are convinced that proposals are consistent with their values and objectives and that risks are manageable. It is also important that any partnerships or transfer of services are viable financially and, as one sector leader put it, do not rely on RSL tenants' rents as a subsidy.

3.5 The Third Sector

'Voluntary does not mean free'

Wales Council for Voluntary Action

The third sector encompasses a large number of organisations, ranging from very small and very local groups, to large and well known charities. The Wales Council for Voluntary Action (WCVA), as the sector representative body, has a strong pedigree when it comes to promoting and supporting volunteering in partnership with its extensive membership that include charities and social enterprises. WCVA is very clear that volunteering is not an easy or cheap option and that it requires investment of significant resources in volunteers themselves and the support organisations that work with them.

WCVA manages the Community Investment Fund which has been crucially important in providing support to nascent social enterprises when they do not have the track record to secure other funding.

Local County Voluntary Councils are themselves under financial pressure as their income from projects and local authorities has decreased. However at least one local authority has commissioned its CVC to engage directly with communities on the transformation agenda.

A number of larger voluntary organisations already deliver services that, in many cases, complement those provided by the public sector or involve extensive partnership working. Examples include Age Cymru, NACRO, British Red Cross, and RNIB, although this is not an exhaustive list.

3.6 Citizens and Communities

'If we are to continue to improve wellbeing a fundamental rethink of the state's relationships with citizens and communities is required

Carnegie Trust UK

The white paper is clear in its intention that citizens should in the future be involved in the 'modelling, management, ownership and delivery' of services. This comes against a backdrop of citizen activism often aimed at preventing the closure or reorganisation of a local facility such as library or community centre. There is growing evidence of successful transformation where citizens take solution focussed approaches to such challenges, moving on from simply campaigning against change, to developing ADMs that can deliver services in new and better ways and be locally accountable.

Every local authority has provided information to citizens on the financial challenges faced and the possible impact on services. A variety of means have been deployed including dedicated web pages, newsletters, public meetings, roadshows and the use of social media. Many authorities are taking a more proactive approach to encouraging communities to help set service priorities as well as considering establishing and running ADMs. Support has been provided through in-house community engagement teams or by commissioning external partners.

MUTUO has stated that there needs to be a radical approach involving citizens from the outset because services are currently based on a consumer model that encourages demand that is increasingly difficult to meet. They also note that a mutual approach would help citizens to understand costs and reduce inefficiencies as well as focussing on what matters to people and making service providers more accountable. This approach is promoted and supported by the CoPro movement in Wales.

Local engagement strategies are evident across Wales and the best take into account the existing community infrastructure, although the variation in social capital – people with the skills and commitment to take part - between prosperous and disadvantaged communities is a common problem. There is a specific problem with social capital in rural areas where the pool of community volunteers is much smaller, with the burden for new initiatives falling on those already fully committed.

If greater citizen involvement is to succeed, there will need to be sharing of power and responsibility between Local Authorities and the communities they serve. Many local authorities are already taking steps to put this into practice.

3.7 Worker and User Mutuals

‘Could the active membership and co-operative ownership of workers, service users, volunteers and family members rebuild public trust in services and put an end to cruelty and neglect where the system of care is owned by the recipients?’

The Guardian

Wales is leading the way in encouraging and supporting the development of social care co-operatives, mutual and social enterprises in social care through the provisions of the Social Care and Wellbeing Act. Although progress has been limited to date, the direction of travel is clear and again distinct from the approach being taken in England.

Internationally, co-operative models of social care that link workers and citizens working together to determine and deliver services are expanding. There is well documented evidence that, not only can this lead to an increase in the efficiency of service delivery through greater employee engagement, but it also encourages a culture of flexibility and freedom to innovate. Such co-operatives also add value through reinvesting profits into the local community and services.

The UK Coalition government has supported the development of a mutual models of service delivery through its Mutual’s Programme run by the Cabinet Office. Organisations such as MUTUO think Wales has an opportunity to take this further because of the strong lead by Government and a growing number of practice examples in the learning disability and housing sectors.

3.8 Public Sector Agency Workers

‘Where do we want to be in ten years time and how do we get there?’

NHS Board Chair

Work by Welsh Government has provided evidence of significant growth in the number of temporary agency workers in public services in recent years in three particular areas: Supply Teaching, Nursing and Social Care. There have been concerns that this can lead to increased costs and because of the often temporary nature of agency staff, less continuity leading to poor quality services. Further work is needed to explore whether viable and sustainable ADMs could be established in these areas.

4. ACHIEVING TRANSFORMATION

'We need a strong Welsh Government message backed up with support'

Local Authority Leader

The Minister for Public Services is clear that he believes local authorities should be learning organisations and that good practice needs to be scaled up at a far greater pace. This is inevitably a key focus of the project and it has added urgency given what is referred to cheerfully as the local authority 'graph of doom' – and each authority seems to have their own version - where demand increases and resources diminish leading over the next few years to non-statutory services collapsing. The white paper talks about a framework to support transformation. The trick will be to ensure that this allows for a process that is driven by citizens, whilst allowing quick learning and replicability at scale.

The White Paper acknowledges that, in order to support this agenda there needs to be a 'framework to support transformation' consistent with the idea of the *Enabling State*. A precedent exists in the housing sector where the concept of government as system steward underpinned the Housing (Wales) Act 2014. In practice this means deploying a full range of interventions to help 'join up' the housing system and support partners to deliver – from legislation, regulation, guidance, funding, co-operative education, supporting innovation and agreeing partnership protocols.

A new approach will require the commitment of Welsh Government, local authorities, third sector partners, support agencies and of course citizens and communities. Welsh Government needs to take the lead in determining and communicating what the basic proposition is but it includes:

- Securing and sustaining high level commitment across Welsh Government;
- Co-ordinating Welsh Government 'levers' to support delivery – regulation, procurement, resources, legislation etc;
- Engaging partners and establishing new partnerships at a national, regional and local level.

With unprecedented pressures on budgets, securing resources to support transformation has to start by considering what can be achieved through bending or top slicing existing programmes and the resources of partners.

Mutual and other democratic models often take considerable time to develop to maturity and are best launched off a 'slowly burning platform'. This may not sit well with the pressure to scale up at pace and to start developing alternative models immediately for service areas under severe pressure. A number of initiatives seek to

address this tension between 'scale and speed' and the need to build grass roots capacity:

- Dedicated local authority resources including *Transitional Funds* for groups and specialist posts
- The *Strawberry Patch* approach developed in the social care sector in Italy where each co-op is responsible for supporting the development of another one and so on.
- The *Lego* approach of 'mass produced inputs, customised outputs'
- The *CoPro* approach based on the adoption of the principle of reciprocity and equality between providers and citizens.
- The *Asset Guardian* approach where existing voluntary sector bodies take on ownership of assets whilst community capacity is built up.
- The *Hosting and Nurturing* approach of RSLs with local housing co-operatives.

A recurring theme so far is the need to get the starting point right in any transformative process and that 'form follows function' (the phrase and variants has been used by a number of people). UnLtd said that the first question is never 'what's your structure?' MUTUO says it is essential not to reduce mutualism to a debate about corporate structure as was perceived to be the case for example in the approach taken by the Cabinet Office. This was viewed by some as simply an opportunistic mechanism to deliver privatisation. It also misses the opportunity created by mutuality to engage citizens as parties to the problem solving, re-orienting them to finding new solutions and ways of saving money or making it go further.

'Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures'

International Co-operative Principle 6

One idea would be to instil in the existing not for profit sector a greater sense of responsibility for supporting the growth of new organisations consistent with International Co-operative Principle 6 that co-ops should help other co-ops. According to MUTUO Principle 6 is one of the keys to progress. As well as seeking a commitment for example from RSLs to sign up to the principle, simple guidance could be produced on how to put this into practice by for example seconding staff with specific expertise (business planning, governance, HR, IT etc) to emerging mutual and social enterprises. This would also offer a development opportunity for staff.

Mutuo also point out that co-operative education and training (Principle 5) are crucially important. The first stage is to educate a wide range of people – employees, managers and leaders, users, citizens – about the fundamentals of mutuality as an alternative basis for trading, for relationships and for individual behaviour.

Given the scale of the ambition at the heart of the white paper and the report of the Commission, there is an urgent need to ensure that support is provided and at a scale well beyond current levels. A national framework with the support locally delivered will be essential to ensure that:

- Generic development support is available to citizens and partners to be flexibly applied in relation to local circumstances;
- Specialist and technical support, for example, on governance or business planning can be drawn down as required;
- Maximum use is made of the expertise of third sector organisations such as RSLs as part of their principle 6 obligations.

The review of the Wales Co-operative and Mutuels Commission is likely to recommend that a *Mutuals Alliance* is established to oversee transformation and it will be critically important that this is resourced and supported by Welsh Government and partners.

5. SHARING INNOVATIVE PRACTICE

Based on the proposition that Wales could become a 'Co-operative Country' there are opportunities to attract interest and support from a variety of think tanks and research organisations to further develop the principles and practices to support the concept. This could include MUTUO, the Carnegie Trust, the Co-operative Councils group, the Co-operative College, NESTA, Mutual Ventures, and the RSA. In addition, the support of Wales based policy and practice resources such as the Wales Co-operative Centre, the Public Innovation Lab, Wales Audit Office Good Practice Exchange and Welsh colleges and universities, could be harnessed.

As has been noted, sharing practice about ADMs has been poorly developed to date whilst the pressure to learn and learn fast is increasing because of financial and demographic pressures. There are already learning mechanisms in place – formal and informal – and the role they play together with new approaches needs to be a key ingredient of the transformational framework.

But there is no need to wait. The range of innovative practice is extensive and growing wider and there are some areas in which a number of authorities and partners have experience in that offer clear learning and early replication opportunities. Below are a small number of examples of initiatives that came to light during this project although this is by no means an exhaustive list.

Comprehensive Reviews of Options

Two authorities have carried out extensive reviews across a wide range of services, including a thorough analysis of the most appropriate ADMs to be developed and to deliver services in the future.

An RSL has been developing a comprehensive consideration of options for collaboration with local authorities in North Wales, including recycling, employment and training for care leavers and grounds maintenance.

Community Governance

A South Wales authority is developing new community governance arrangements based around its four main settlements with the aim of delivering a 'whole place' strategy and devolving budgets and services to communities.

One council has been pioneering a pluralistic approach to libraries and other community facilities with a range of models driven by local people and involving various partners including T&CCs and the third sector.

Arms Length Organisations

A South Wales council is exploring a model that would establish an arms-length Enterprise directorate for all non-statutory service areas. The aim would be for this entity to generate surpluses that could be reinvested in services.

One council is exploring options to increase trading of its Public Parks and Plant Nursery functions.

Asset Transfer

A recent project has involved a community facility asset transfer from the local authority to a national development trust acting as an 'asset guardian', whilst a social enterprise is being developed and building capacity to take over ownership when ready. A similar transfer has occurred in a new build development around an existing community facility supported by an RSL.

A great deal of legal, governance, financial, asset management, risk management, experience has been accrued by the eleven large scale stock transfer organisations in Wales. They have also established a culture of shared learning and networking and are very open to approaches from other organisations going through transformative processes.

Transitional Funding and Support

There are a variety of innovative examples across Wales where authorities have put in place flexible funding arrangements for communities to access when considering ADMs.

One council has commissioned its county voluntary council to support local groups exploring ADMs.

Workers Terms and Conditions

A number of RSLs have secured the future for external workforces by establishing subsidiaries. Examples include repair and maintenance organisation which have subsequently invested in staff development, employed apprentices and delivered a tax efficient and cost effective quality service.

Stock Transfers have extensive experience of staff engagement and involvement and successfully fulfilling TUPE and pensions obligations.

Town and Community Council led Initiatives

One community council has taken over responsibility from its local authority for providing affordable and sociable lunches for older people with a substantially lower subsidy whilst at the same time extending support services in partnership with a number of voluntary organisations.

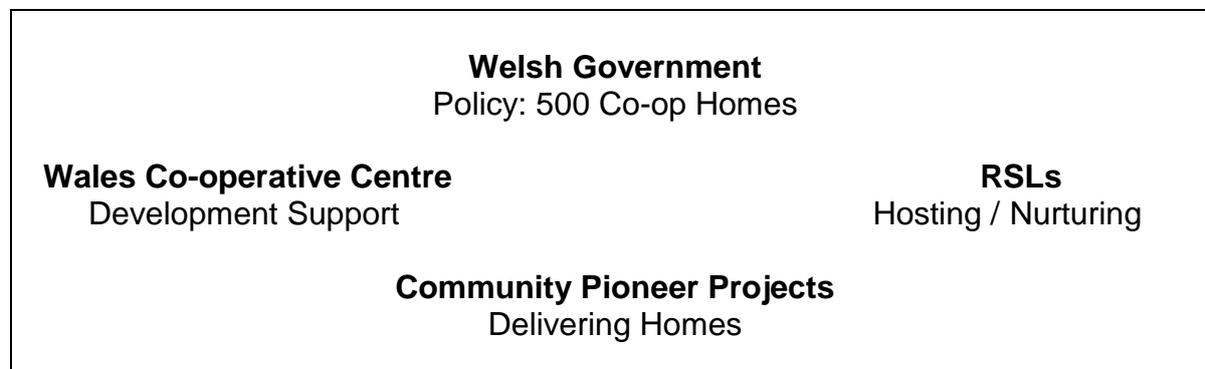
A North Wales town council took on the lease for the local cinema and secured grants of £400,000 in totally refurbishing the building and its facilities, creating eight full time jobs.

A West Wales community council took over ownership and control of a local car park and used the revenue to purchase a local school and sports field. Work has started in earnest on transforming the school building into a day care centre for older people.

Town and community councils in two rural communities are exploring 'cluster' arrangements to deliver efficiencies and pool resources.

Housing led Initiatives

The Co-operative Housing Project is delivering over 100 new homes by 2016 with over 300 more in the pipeline. The project is based on a partnership 'diamond' that could be replicated in other service areas



A number of RSLs are leading on the development of community hubs including a project in a town centre in North Wales that houses council youth services, six self-contained flats, college outreach offices, workshop, music studio and classroom facilities, and therefore combining training, advice and living space.

A stock transfer RSL has developed a joint venture with its long term co-operative social enterprise partner to undertake repairs and void management services.

One RSL helped design and run after school clubs which as well as providing support to pupils also encompass programmes on adult literacy and parenting.

A stock transfer RSL is leading on a family intervention project that brings together all statutory agencies and partners in a South Wales borough.

CHC's Building Enterprise programme has supported a number of transformation projects that are replicable including:

- Establishing a joint venture between a housing association and a community co-operative to deliver building services
- Supporting an association to create an arms length reactive maintenance subsidiary
- Supporting a number of associations to transfer assets to community groups

Worker and User Mutuals

A number of specialist learning disability organisation are adopting a CoPro approach to joint service user and worker design and delivery laying the foundations for social co-operatives.

A stock transfer RSL is in the process of converting to a mutual organisation with tenants and workers as joint shareholders. Its aims extend well beyond being a social landlord and encompass being a regeneration agent across the borough and a partner of the local authority in the transformation process.

Rural Communities

The Welsh Government supported Rural Housing Enabler programme has a track record of engaging rural communities in the provision of new affordable housing and associated services.

A North Wales council has produced a comprehensive toolkit and guide on developing social enterprises and other ADMs.

6. CONCLUSION: WHAT IF WALES?

'At a time when public service organisations all around the world are learning that the old ways of doing things are not sufficient for the future, Wales has the opportunity to leap beyond others if our minds are open to the possibility'

Reforming Local Government: Power to Local People

Wales has been at the forefront of radical transformation many times in its past; economically as the fulcrum of the Industrial Revolution; politically as the epicentre of Chartism; and socially as a beacon to the world on free and universal health care through a trailblazing initiative that helped create the NHS. This is a deep rooted tradition, but there is always a danger that we see our potential for radicalism only as an historic attribute. The scale of current challenges to the Welsh economy and public finances are the most important reason to rekindle the search for radical solutions.

Of course mutualism and co-operation also have deep roots in Wales and its re-emergence as an economic, political and social priority helps retie an historic knot. Based on an analysis that rejects the neo-liberal approach of the UK government we are starting to build a distinctly Welsh narrative which is leading to a programme for action driven from the heart of government across a range of ministries.

A number of leading thinkers and activists also now see Wales as a country with an historic opportunity to lead in a new public service revolution. This report underlines how the coming together of a set of challenges is opening up transformational opportunities. Wales is a country in which there is a very little support for further privatisation of public services but which also accepts that given the scale and long term nature of the challenges, 'business as usual' is not an option.

There is a growing appetite for the exploration of a full range of not-for-profit models that are accountable to local people. There is a strong desire to protect employee terms and conditions and ensure trades union recognition. There is also an overwhelming wish to ensure that reform is truly sustainable this time and a weariness with 'initiativitis' based on previous public service reform false dawns.

Any hopes that the local services cavalry were coming disappeared in the run up to the election, with both major UK parties offering a further period of cuts to council funding. The imperative of finding radical new ways of doing things whilst retaining our shared values has become, not just stronger, but inevitable. The conclusion of this report is therefore quite straight forward: if we are to take this bold transformational step in public service design and delivery, we have to ensure that there is a properly resourced framework in place to support successful and sustainable implementation.

7. ACKNOWLEDGEMENTS

I would like to thank all the leaders, councillors, officials and representatives who were kind enough to spend time giving me their views on the challenges and visions for the future.

The support of the Wales Co-operative Centre has been invaluable although the responsibility for the content of this report is solely mine.

I would like to single out a few individuals who have given me more intensive care at various points including Glenn Bowen, Lyn Cadwallader, Pat Conarty, Andrew Davies, Ruth Dineen, Hywel Evans, Cliff Mills, Julie Nicholas, Dave Palmer, Adrian Roper, Stuart Ropke, Tamsin Stirling, Derek Walker and Karel Williams. It is not protocol to name the individual civil servants who have supported me on this work throughout – but you know who you are and I am extremely grateful.

ANNEX 1: TERMS OF REFERENCE

The overarching aim of the project is to explore how to significantly increase the role of co-operatives, mutuals, social enterprises and other not-for-profits in modelling, managing, owning and delivering public services.

The project has four objectives:

1. Review the current policy and practice context including identifying examples of good practice from Wales and elsewhere;
2. Ascertain views and level of support for project aims by engaging with key stakeholders;
3. Identify specific partnership opportunities with local authorities relating to a range of service;
4. Produce a report to include recommendations.