Case Study – Systems

Going with the grain: organising for a purpose

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Key messages

The traditional state-owned model of public services is coming to an end. The search for a new model benefits from reflection on the historical background, and an understanding of the broader context of concepts of public service. Modern mutuals seek both to provide a new basis for public ownership and an organisational model which underpins a redesigned service delivery model aimed at securing today's desired outcomes.

Why this matters to me

We strongly believe in the concept of public services, but recognise that the historic model of state ownership is being dismantled. A clear new model is needed which is committed to public benefit, and which offers a strong and cogent alternative to private investor ownership. We believe that the ideas and principles underpinning traditional mutuality are highly relevant to the development of modern public services, and for this reason we are passionate about the need for modern mutualism to be explained and understood.

ABSTRACT

In looking at reform, it is important to understand the longer heritage of the public sector. This suggests a future drawing on mutual ideas and principles as a powerful alternative to private ownership. It involves a new approach to organisational design which underpins a reformed service delivery model. This is examined through the example of Rochdale

Boroughwide Housing, the UK's first mutual social housing provider, owned and controlled by its tenant and employee members.

Keywords: co-design, co-production, new mutuals, public services

Introduction

There is a danger that the debate about public service reform takes place within limitations which are too narrow for the purposes of a broad 'reform narrative'.¹ The very phrase 'public service reform' tends to limit debate temporally to the period from 1948 to today, and organisationally to a state-owned model of 'public service'. In this paper we would like to explain the reasons for having a broader perspective. We look at an important example of a development in one sector, social housing, which both draws explicitly upon pre-1948 thinking and suggests a solution in which the

state plays no ownership role at all. We would then like to suggest that this approach has wider implications.

Whilst we conveniently regard 1948 as the starting point for modern public services, clearly what was taken over by the state in the post-war period had been emerging over many decades. There was already in existence a rich tapestry of provision, albeit a patchy and largely uncoordinated one, which had evolved to meet the needs of mainly poorer people. This rich tapestry was largely based on two powerful traditions, namely, the philanthropic and self-help traditions.

The former, based on the humanity of those who were generous with their time and money, and driven by some personal motivation to care for others, resulted in the establishment of many of today's leading hospitals; housing, healthcare and retirement provision for those working in the businesses of the great industrial philanthropists; schools established by faith-based organisations; and many of today's leading charities caring for children and vulnerable adults.

The other was the mutual or self-help tradition, in which those living in poverty organised provision for themselves by collaborating within communities to meet their collective needs. This included securing access to unadulterated food at a fair price (the co-operative movement), protection against sickness, funeral expenses, death of the bread-winner and other catastrophes (friendly societies and mutual insurers), and access to finance to build and own their homes (building society movement).² Self-help was the starting point and engine of all of this, resulting in a 30% share of the retail market, 19 million members of friendly societies and a building society in nearly every town.

But as the modern state assumed a major role as provider from 1948 onwards, these two people- or community-based traditions were substantially sidelined and, in the case of parts of the mutual sector, seemed to be in terminal decline by the end of the twentieth century.³ Weekly contributions to the local fund and community-based problem-solving were replaced by centrally collected taxation and the nation state meeting the needs of its citizens through central or local government-controlled provision.

Currently, the state-owned phase of public service provision appears to be coming to an end. This is driven by economic and political expediency, as well as implicit/explicit criticism of the ownership and service delivery model, which does not contain its own internal mechanism for ensuring sustainability. This then raises the basic question of what form of ownership should replace it, and the search for a new form of ownership for public services continues apace.^{4,5} Whilst privatisation of providers continues, the private sector's customer-based model of service delivery poses its own challenges because it is designed primarily to deliver private benefit rather than positive social outcomes. This often results in nothing being done to reduce demand on services (indeed the profit-maximising model is designed to increase it) or outsourced services that focus on the easier cases rather than more complex ones (in the case of payments by results contracts).

This is the context within which new mutualism seeks to play a role. First, it seeks to re-engage service users as owners. Sixty-five years of state provision have resulted in a mind-set of entitlement and expectation among tax-paying citizens, exacerbated by the introduction of the consumer approach. It is important for

citizens to 'take ownership' of their needs, and of the ways of addressing them. This includes playing a part in reducing cost and demand. Second, it seeks to engage staff as owners as well, recognising the fundamental importance of their role and the fact that it is more than a job. Third, it introduces a new model of democratic governance that seeks to ensure competent management by those properly qualified to assume that role, but in a context of direct accountability to those for whom the service exists and to those who are delivering it.

Recent developments in social housing provide an illustration of what this means in practice, and how traditional mutual ideas of participation through membership are being used in a modern context to engender a collaborative and co-productive approach. This is also leading the organisation (their organisation) to view itself in a different light and as a catalyst for linking up (integrating) a range of services which are all crucial to the wellbeing and happiness of the local community.

A social housing case study for new mutualism

As is the case with health and social care, social housing providers have been keen to explore a more collaborative approach to service delivery: seeking to establish ways of working that bring tenants and employees together in order to co-produce solutions to problems. But, as in other sectors, there is a basic economic tension between the interests of service users who want more, better and cheaper services, and staff who want better terms and conditions. In reality, however, their shared interests are also very powerful. Both want to make best use of the money available, with the minimum amount wasted on deciding how to spend it, or spent outside the local community, or spent on doing anything other than improving current services and rewarding staff for doing a good job. Furthermore, although tenants and employees have different interests, lots of employees are tenants, and many friends, neighbours and close relatives of tenants are employees.

Rochdale Boroughwide Housing (RBH, Figure 1) has created the first tenant- and employee-owned mutual. This now owns the 13 700 homes previously owned by Rochdale Council. Tenants and employees elect their own representatives to a representative body, which also includes appointed representatives of certain key organisations. The representative body does not run the organisation, but it helps to set the framework (business plan and strategy) within which the Board of Directors is required to run the organ-

Rochdale Boroughwide Housing

Figure 1 Rochdale Boroughwide Housing structure

isation, and it holds them to account in doing so. The representative body has real constitutional power, because it appoints and can remove the six non-executive directors, who include the chairman, though the non-executive directors appoint the chief executive and other executives.

In its organisational design, RBH reflects the essence of traditional mutuality whereby individual members were proactively involved in collaborative relationships to ensure that they maintained access to basic provisions and services. Those familiar with NHS foundation trusts will recognise RBH as a variation on that particular corporate model (NHS foundation trusts were created by the Health and Social Care [Community Health and Standards] Act 2003), although by creating this new social housing provider under mutual society law and outside the health sector, the tight constraints that foundation trusts have to adhere to do not apply. For example, RBH was able to design its own criteria for membership, and for the composition of its representative body; these things are prescribed for foundation trusts. This meant that RBH could adapt the model to suit its particular needs. (RBH is incorporated as a community benefit society under the Industrial and Provident Society Act 1965.)

This is a radically new approach to democratic ownership and governance. It is also a modern mutual set up in the very same town that is well-known as the birthplace of the Co-operative Movement. But the new approach goes much further than the historic model. By recognising two constituencies of members (users and producers), it seeks to embed the idea of collaborative working between tenants and employees in the very way in which the organisation is set up and run. Indeed, the structure was developed by a group of tenants and employees, supported by mutual experts. Mutuals need to emerge from the grassroots, but they also need a leadership style (very much the leadership style described by Deirdre Kelley-Patterson)⁶ which

nurtures and supports engagement at a grassroots level, specifically in order to harness the knowledge and experience of those closest to the problems in finding appropriate solutions. It is engagement and participation in problem-solving, based on ownership, which provide a strong contrast to other forms of transfer out of state ownership.

Running in parallel to the design of the new mutual's legal architecture has been a programme of cultural change that aims to ensure that mutuality permeates the way RBH behaves at all levels. This is the starting point for the organisation – in reality for the people who comprise the organisation – to explore the role of the social housing provider within the local economy, and how it might use its influence and asset base to support other initiatives likely to improve the lives of people in the local community.

RBH has also thought long and hard about the practicalities of what mutuality means at a neighbourhood, estate and street level. Through its Our Place/Our Team approach every employee is attached to 1 of 52 neighbourhoods and works with local tenant members to identify key neighbourhood issues and challenges, and actions to address these. This is supported by encouraging employees to spend two days a year outside their day jobs focused on neighbourhood activity – 'Our Place' days. A neighbourhood-level participatory budgeting approach (Our Choice) provides a mechanism for local tenants and employees to gain funding to support this work.

The new mutual has taken a very deliberate decision to concentrate its efforts to develop partnerships with other local institutions and agencies with similar shared values. It has also recognised that it has a strong enabling role and has funded and facilitated the development of an informal co-operative social enterprise that creates a social network for the over 50s (www.rochdalecircle.co.uk). It is taking a similar approach in developing a care-package offer for residents of a

newly developed extra-care housing scheme by working in partnership with an employee-owned care business. In doing so, RBH is clear about the importance of residents and their families having a strong voice alongside employees in shaping the new care services. Similar mutual approaches are being developed to address other key challenges around employment creation and energy sustainability.

Although only time will tell how successful this new model will be and what changes may be needed along the way, the model has so far received full support from the registrar of mutuals which registered the new organisation (the Financial Conduct Authority is the registrar for industrial and provident societies, which have to comply with statutory criteria to secure registration). It is also supplied by the housing regulator, which accepted it as an appropriate new model of ownership and governance; and, most significantly, the banks who were willing to lend £120 million to fund this new organisation's business plan over the coming years. All this has taken place in very turbulent times for the social housing sector with the most challenging economic and policy environment in living memory.

Discussion

There are two basic reasons for the optimism within RBH.

The first concerns the delivery model. The historic approach in housing tended to be paternalistic and mainly focused on the need of councils to discharge their responsibility to provide housing. This resulted in a somewhat binary relationship between the organisation as provider, and tenants as customers, which all too easily became 'them and us', polarised and even adversarial. The modern approach is to involve tenants much more proactively in collaborating with employees in co-designing a different way of delivering services, and co-producing the results. Enlightened housing practice was already moving in this direction, and by embedding these principles in the organisation's very ownership and governance structures RBH publicly states and now must live by a commitment to working in this very different way.

The second concerns how it is already changing the way people behave. The process of establishment itself has been an education in the value of empowering those at the sharp end of receiving and delivering services. It felt strange at first for the two different groups to be sitting in the same room discussing the same problem, with staff talking about 'units' and tenants talking about 'our homes'; but that rapidly gave way to a pragmatic desire to find the best joint solution. As already observed, there are conflicting interests and

tensions, but those tensions exist anyway and have to be worked through, and what this model provides is a framework within which they can be worked out openly and fairly, and where those who have a legitimate interest in influencing the outcome have a voice and can participate in working out the solution.

In order to manage the business efficiently, it is obviously necessary for there to be legal relationships established as 'tenancies' or 'employment'. There is a statutory, regulated and best practice framework within which RBH has to operate. But those essential legal relationships do not need to and should not dictate or limit the nature of the organisation. It is serving a community, which is itself a rich tapestry of interlocking human relationships within which people are living their lives. This organisation aims to recognise and go with the grain of those underlying human relationships. It seeks to recognise the important and legitimate interests that individuals have in the work it does, and to give them an appropriate voice in how they are carried out. It seeks to embed its approach in the very way in which it is owned and organised.

This Rochdale model of modern mutualism may hold lessons for other parts of the public sector, including the NHS. It seeks to establish an alternative approach to the ownership and delivery of public services which at last sees the public, through mutual techniques, as a legitimate high-level participant, rather than the state acting as its (paternalistic) surrogate. It does this by creating a proper opportunity for citizens to become actively engaged in improving services and making money go further. It insists that ordinary people, seeking to make the best of their lives should be allowed and trusted to play a proper role; they don't need somebody to do it for them.

This is a hard message, particularly in areas like healthcare where medical (and other) professionalism clearly plays a powerful role. Although there is clearly not a straight read-across from housing to healthcare, there is a common theme; trusting and allowing patients and service-users to be active high-level participants in meeting their own needs. David Colin-Thomé and Brian Fisher powerfully express the importance and effectiveness of community empowerment in improving health, and the new Rochdale model provides one mechanism for establishing long-term empowerment and involvement.⁷

There is another important distinction from social housing: that sector is not beset with the same commissioner/provider split which is so embedded elsewhere in the public sector. The mechanism of funding has to be built in as a core element of the organisational solution. In healthcare this now means both recognising the professionalisation of commissioning through clinical commissioning groups as well as the introduction of personal budgets. But that is beyond the scope of this article.

To conclude, the new Rochdale model opens up the reform narrative beyond the confines of post-1948 thinking, and sees 'public services' rooted in their proper historical origins of the actions of ordinary people in their communities, motivated by their natural human instincts for survival, collaboration and compassion.

CONFLICTS OF INTEREST

Through Mutuo, Cliff Mills was involved in the design and establishment of Rochdale Boroughwide Housing. Gareth Swarbrick is Chief Executive of Rochdale Boroughwide Housing

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