



BUSINESS COUNCIL
OF CO-OPERATIVES AND MUTUALS



Submission 216 - Business Council of Co-operatives and Mutuels (BCCM) -
Identifying Sectors for Reform - 1st Stage
of the Human Services public inquiry

Submission to Productivity Commission on Human Services

July 2016

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1 Executive Summary

The Business Council of Co-operatives and Mutuals (BCCM) welcomes the opportunity to contribute to this important inquiry by the Productivity Commission into human services reform with a focus on increasing competition, contestability and user choice.

Our submission attempts to highlight some of the related cultural, governance and industry development changes that are relevant for the reform agenda envisaged to be effective.

The BCCM supports the need for reform and with some qualifications, we welcome the need for increased competition, contestability and user choice in human services. Implemented well, this will provide the opportunity for service users to be placed at the centre of human services and give them more choice and control without compromising quality, efficiency and accountability.

However, in considering the reform agenda, we believe there are two core changes that require more transparent consideration.

- The first is that service users – the customers of human services and where required, their intermediaries – must be at the centre of service design and the change process. Through the conduct of this Inquiry, the Commission must craft an inspirational vision for how this can occur in Australia.
- The second is to understand and agree that organisational form is crucial in the delivery of human services in a world with increased choice and contestability. This is especially so where service users are vulnerable and where they more generally have poor information about quality.

Whether the introduction of competition, contestability and informed user choice is effective in improving human services through better quality, equity, efficiency, accountability and responsiveness, will depend on the type of supplier or service provider. In contestable markets where service users have poor information about quality, as occurs in health and community services, both theory and evidence suggests that a for social purpose (or not-for-profit) organisation will behave very differently to one whose accountability is primarily to investors and shareholders.

Putting service users at the centre of human service design means moving on from delivery mechanisms that rely on trust between a provider and a service user. To do this, we need to relinquish the power of bureaucracies and providers and instead, create new forms of co-operation and governance that facilitate the active participation of the people who use human services.

Human services operate as part of a civil society involving relationships between people in communities usually helping each other mostly by self-help, informal networks of family, friends and volunteers. Publicly funded human services, as substantial as they are, depend on these informal networks alongside the commitment, passion and skills of caring professionals who mostly regard working in human services as a vocation.

“In most contestable markets for human services, if the aim is for higher quality, greater user and worker well-being, more community involvement, greater accountability at an efficient

price, then the best kind of organisations are mutuals of some kind". (Source: Julian Le Grand, Chair UK Public Service Mutuals Task Force)

Mutuality is the basis on which co-operative and mutual organisation forms operate. Their formation through history was founded on market failure where people and communities had to help each other because there was no-one else to do it for them.

New modernised approaches to co-operatives and mutuals are emerging and thriving globally and this movement needs to be harnessed to enable citizens and service users to be more democratically involved with the governance of organisations involved in human services.

In our submission, we draw on mutual and co-operative development work here in Australia and overseas to demonstrate which sectors within the wider human services industry lend themselves to reform.

Four governing thoughts underpin how the BCCM has approached its response to the Issues Paper prepared by the Productivity Commission:

1. There are significant issues about the mindset of providers and their readiness for reform. Arising from this, industry development changes need to be considered as part of a competition policy reform agenda in human services. This is especially so in those areas of human service delivery such as aged care and disability services, where service users have had little or no choice. The reform agenda must consider the compelling option for consumers to form co-operatives of budget holders to enhance their influence in service markets, attract the benefits of economies of scale in service purchasing and have choice and control about who provides services.
2. The benefits of reform must be re-invested in the public interest, not in generating more profit for shareholders. To achieve this, we need greater diversity of organisation and ownership forms to embed a culture of sustained social enterprise and business-like mindsets. This will enable transparent re-investment of shared value to occur. Co-operatives and mutuals are an alternative to the preferred organisation forms that operate now in human services markets.
3. The workforce challenges in human services are significant. The reform agenda must consider the compelling theory and evidence about the comparative advantages of organisational forms that incorporate employee ownership, including all forms of co-operatives and mutuals, over the preferred alternative organisation forms. In particular, where workers are more economically engaged in the business, this leads to increased customer satisfaction, higher employee engagement, better jobs and increased productivity. Considered together, this is a compelling way to help secure future workforce requirements in human services.
4. To enable this diversity of organisation form to emerge, it is necessary to remove regulatory, attitudinal and other barriers that currently reduce the competitiveness of co-operatives and mutuals in the Australian economy.

We would appreciate the opportunity to engage further with the Productivity Commission in relation to this important reform agenda.

For further information on this submission contact Melina Morrison, CEO Business Council of Co-operatives and Mutuals melina.morrison@bccm.coop Ph: +61 2 9239 5931.

2 Summary of recommendations

Recommendation 1: The BCCM recommends full and early implementation of the 17 recommendations from the Senate Inquiry into co-operative mutual and member-owned firms. The recommendations are attached at [Appendix B](#). In particular, attention is drawn to Recommendation 2 of the Senate Inquiry:

“3.28 The committee recommends that [the] co-operative and mutuals sector be better represented in government policy discussions, and is actively promoted as a possible option for service delivery particularly where community based initiatives are being considered”

Recommendation 2: The BCCM recommends that the Productivity Commission needs to also ask the question in this Inquiry: “What organisational form is best suited to deliver human services in a world of choice and contestability?”

Recommendation 3: The BCCM recommends that the Productivity Commission considers options for achieving consistent national regulation of co-operatives and mutuals operating in public services that do not just rely on harmonised legislation in each State/Territory and in doing this, build on the insights and lessons learned in the UK around NHS Foundation Trusts and Community Interest Companies.

Recommendation 4: The BCCM considers there are opportunities for reform in human services in areas that demonstrate the convergence of the confluence pre-conditions outlined in Section 6. Some areas for closer consideration are:

- Integrated Community Health and Aged Care (Adult Social Care)
- Consumer co-operatives that support service users and their intermediaries navigate complex human services systems (e.g. aged care) including:
 - Consumer-friendly information
 - Provision of independent scientifically validated ratings and other measures of quality that enable consumers to make informed choice
 - Service navigators and mentors independent of service provision to support service users with personalisation and direct payments, and
 - Community and member-owned digital platforms that make it easier for people looking for care to connect with services
- Worker co-operatives in personal care, home care and community health that enable the benefits of employee-ownership to be implemented.
- Tenant-led consumer co-operatives in social and community housing
- Community and assisted flexible transport and social support especially in rural and regional Australia
- Consumer co-operatives in the NDIS that address asymmetry of information between consumers and their intermediaries and providers, including:
 - Local area co-ordination, capacity building, information and advocacy
 - Multi-constituency family and worker-managed co-operatives in community support and accommodation.

Recommendation 5: The BCCM considers that expanding the personalisation agenda in human services, including much greater use of direct payments within and across related portfolios, is central to achieving increased informed user choice and control. The BCCM encourages the Commission to include this in its deliberations during the Inquiry.

Recommendation 6: The BCCM suggests that the Productivity Commission builds on the collaborative Australian and international networks and specialist advisors available through the BCCM and incorporate this into its research to gain deeper insights of the lessons learned in various areas of public service reform, including mutualisation and extending personalised consumer directed services in health and other areas of home and community support.

Recommendation 7: The BCCM suggests that consideration is given to introducing a cost shared co-operative and mutual development initiative to fund activities associated with:

- Building understanding of the CME organisation form;
- Enabling new start-up co-operatives to be incubated and scaled in priority areas; and
- Business development and readiness to support new co-operative development.

3 The BCCM and its role

This submission is made by the BCCM on behalf of Australia's member-owned business sector.

The BCCM is the peak cross-sector body for co-operatives, mutuals and member-owned businesses. Its purpose is to promote recognition of the important role of co-operative and mutual businesses in the Australian economy.

The BCCM unites the diverse range of co-operative and mutual businesses including grain handlers, dairy producers, motoring organisations, insurers, health funds, customer owned banks and retailers, purchasing and marketing groups, community housing providers and community health practices. A list of the members of the BCCM is attached to this submission at [Appendix A](#).

Eight in ten Australians are members of at least one co-operatively owned business. Well known examples include motorist mutuals, credit unions, building societies and non-profit health funds. Co-operatives are found in retail (The Co-op Bookshop), agriculture (CBH Group, Murray Goulburn, Norco), healthcare (National Health Co-operative) and housing (Common Equity Housing Ltd). Many sporting clubs and recreational groups are registered co-operatives (RSL and bowling clubs).

The sector represented by the BCCM is significant to the Australian economy. Including member owned superannuation funds, the contribution of the sector to GDP in 2013/2014 was estimated to be 7 per cent.

A primary role of the BCCM is to work to ensure a level playing field for co-operatives and mutuals with all forms of business operating in the Australian economy.

Since its inception in 2013, the BCCM has advocated for a broad based review of the operating environment for co-operatives and mutuals and on 2 March 2015, the Australian Senate referred the role, importance, and overall performance of cooperative, mutual and member-owned firms in the Australian economy for inquiry. This inquiry reported on 17 March 2016.

3.1 The BCCM has been guided by a panel of experts

This submission has been guided by an Expert Advisory Panel of leaders in public sector reform and social enterprise. They agreed to work with the BCCM because they believe co-operatives and mutuals have potential to assist in the transformation of human services in Australia as the industry becomes more competitive and contestable and where users are at the centre of service design.

The Panel members are:

- Su McCluskey (Chair) Member Harper Competition Policy Review; Director Australian Unity; Chairman Energy Renaissance Pty Ltd; Past CEO, Regional Australia Institute
- Patrick McClure Chair, Welfare Reform Reference Group; Member, NSW Government Social Impact Investment Expert Advisory Committee; Director, The Kincare Group; past CEO Mission Australia.
- Kyle Loades, President NRMA
- Rohan Mead, Group Managing Director and CEO, Australian Unity
- Rob Goudswaard, CEO CUA
- Mark Coyne, CEO EML; past Board Member, NRMA
- Shaun Larkin, Managing Director HCF
- Tony Stuart, Founding BCCM Director, Chair Australian Charities and Not for profit Commission and Member, Prime Minister's Community Business Partnerships Committee; past Group CEO, NRMA
- Melina Morrison, (Co-author) CEO Business Council of Co-operatives and Mutuals
- Gillian McFee, (Co-author) Chair Public Service Mutuals Task Force; Director RSL Care Ltd; Director RDNS Ltd; Director Aftercare Ltd; past Director UnitingCare Ageing.

The BCCM has been privileged to have received support, encouragement and good advice from Subject Matter Experts with international experience in areas relevant to this inquiry:

- Professor Sir Julian Le Grand of the Marshall Institute, London School of Economics and Chair of the UK Public Service Mutuals Task Force
- Cliff Mills, Lawyer and Co-operative Development Expert with Mutuo (UK), and
- Kevin Crossland, Director, Equinox TC Ltd and Specialist Advisor on Personalisation and Direct Payments (UK)

3.2 Our submission charts the following course

Section 1 is an executive summary

Section 2 provides summary recommendations.

Section 3 outlines the role of the BCCM and how the submission has been informed by specialist advice and support.

Section 4 introduces the organisational form for co-operatives and mutuals and argues why

mutualism is well-aligned to achieving the culture change required to enable the reform of human services to enable increased competition, contestability and user choice. This section concludes with the findings and recommendations of recent Government reviews that found in favour of this conclusion about the comparative advantage of co-operatives and mutuals (Harper Competition Review and McClure Welfare Review).

Section 5 provides an outline of the co-operative and mutual sector in Australia and compares this with some thriving mutual economies overseas which appear to be more advanced than in Australia. The different types of co-operative and mutual enterprises are also discussed along with the Australian version of the Public Service Mutuals Task Force. This section concludes with the findings and recommendations of the Senate Economics References Committee Inquiry into co-operative, mutual and member-owned firms in Australia.

Section 6 presents the BCCM view on what constitutes improvement in human services and how the International Co-operative Principles can inform the Commission's views.

Section 7 contains a discussion on what kind of organisation form is best suited to a world of human services where there is increased user choice and contestability. It discusses the importance of leadership and good governance and what happens when trust is lost in organisations that have been traditionally trusted by the community. This section concludes with identifying the confluence of factors that need to be in place for effective reform to occur and concludes with some suggested directions for areas of reform.

Section 8 assembles a range of relevant case studies drawn from Australia and overseas and highlights the features of these case studies that could assist the Commission to identify priority areas for reform. The case studies have been compiled to build understanding about how and why co-operatives and mutuals are important in stimulating a more diverse market of providers and realizing the innovation potential that could apply in human services in Australia.

Section 9 draws some threads together and makes some suggestions about what measures could overcome the barriers co-operatives and mutuals experience that currently limits their potential to compete on a level playing field. We make some suggestions about how the BCCM could support the work of the Productivity Commission over the course of this Inquiry.

Section 10 contains suggested recommendations in full.

Section 11 is a bibliography of references used in preparing this submission and that the BCCM has used to inform its work in co-operative and mutual development in Australia.

3.3 A word of clarity about definitions

In Australia, we refer to co-operative and mutual businesses as one form whilst recognising sometimes they are regulated differently. The term we use is a co-operative and/or mutual enterprise – often abbreviated to CMEs.

The term Public Service Mutual has a different meaning in Australia than what was used in the UK.

We define a Public Service Mutual as *“an organization which wholly or in part delivers public services through a co-operative or mutual governance structure, whereby members of the organisation are able to be involved in decision-making, and benefit from its activities, including*

*benefits emanating from the reinvestment of surpluses”.*¹ In the White Paper on public service reform produced by the BCCM in 2014, the BCCM defined Public Service Mutuals more broadly than in the UK where they had their genesis. Our definition envisages that a Public Service Mutual could operate as a consumer co-operative, as an enterprise co-operative (enterprises are the members) or as a producer (or worker) co-operative. In some cases, the members of a Public Service Mutual could be consumers, workers and enterprises and this is called a multi-stakeholder (or multi-constituency) co-operative. The context for forming a CME will determine its membership structure and type.

In contrast, the UK definition specifically referred to a specific form of worker co-operative where public servants have been enabled and supported to “spin out” from government in employee owned mutuals. However more recently, in some contexts such as schools and health, the UK has also embraced the need for multi-stakeholder co-operatives where the membership incorporates broader constituencies including workers.

What should unify co-operative and mutual businesses is that they incorporate or embrace the International Co-operative Principles into their constitutions.

4 Building mutuality into human services reform

Mutual ownership in the context of a reform agenda to improve competition, contestability and user choice in human services may seem unusual to those not familiar with how mutual business models create growth, prosperity and fairness in markets. Indeed, it could be argued that mutuality was the first successful attempt to contest the domination of the business world by private ownership.

“... But the essence of mutuality is that it is the embodiment in business, of that enduring truth about people – that we achieve more together than by working alone. Put simply, mutuality is a good idea that can deliver trust, confidence and accountability between many institutions and the people they serve”

Peter Hunt, Mutuo UK

In Australia and overseas, governments and citizens are questioning the value they get from services either provided directly by governments or outsourced to third parties to provide and they are grappling with how to improve them. There have been many waves of public sector reforms and despite some improvements, none have really grappled with how to put service users at the centre of the human services they receive by extending to them much greater choice and control.

As the Productivity Commission points out, human services are a significant part of the Australian economy. In 2013-14, the combined expenditure on health, education, aged care and disability accounted for 12 percent of gross domestic product.²

¹ BCCM (August 2014) *Public Service Mutuals: A third way for delivering public services in Australia* WHITE PAPER page 9.

² Productivity Commission (June 2016) *Human Services: Identifying sectors for reform* citing ABS 2015 and Steering Committee for the Review of Government Service provision 2015.

Governments have increasing budgetary pressures at a time when community expectations are increasing, technology is disrupting existing business models, the needs of people receiving human services are much more complex crossing a number of government agencies and the population is ageing. As these trends interact with each other, it is not hard to build a compelling case for why it makes good sense to have a fundamental re-think of human services and how they can be improved.

There is a need to radically reconfigure human services with a focus on the people who use these services, connecting them as closely as possible to their local communities. We need to enable stronger citizen engagement and strive for the users of human services to be more economically engaged in the services they use because this is how they will be able to have more choice and control. For this to occur, a fundamental culture change is required. We need to create a new relationship between citizens and the state in how human services are delivered. This has to be based on enabling that very natural instinct people have, namely self-help and collaboration with others in communities to emerge, underpinned by the security of a fair safety net.

This is a mutual relationship and it can be used to support different citizen behaviours that are more likely than other organisation forms to be sustainable. This need is not only driven by the demand for increased consumer choice and control of the services they use, but by the need to find cost efficiencies and productivity improvements.

The lessons learned from public service reforms that have preceded this review tell us that governments don't have a monopoly on problem solving and the reforms that underpin this. Bureaucratic approaches and market based solutions are no longer fit for purpose to tackle a growing range of complex problems such as antisocial behavior, chronic disease, housing affordability, and large numbers of people – younger and older - facing structural unemployment without the appropriate training and skills to adapt to a new digital and networked economy. Technological change is rendering many traditional service delivery models obsolete so innovation is essential if we are to improve people's lives and lift productivity in human services. We have reached a stage where reform and driving the resultant change should be undertaken as a partnership between government, the market and citizens. The co-operative and mutual sector in Australia can play an important part in this collaboration on behalf of civil society.

This requires highly networked non-linear approaches to problem solving across multiple portfolios allowing problems to be addressed holistically around people. Relationships become critical supported by public investments designed to deliver sustainable outcomes, improve people's lives and represent value for tax payers.



We know that networks of co-operation work better than geniuses acting alone or groups bent on destroying each other."

Bill Clinton, Former U.S. President



This business model, built on inclusion and sustainability, offers a pathway toward economic, social and political justice for all.”

Ban Ki-moon, Secretary-General, United Nations



The co-operative creates a new type of economy that allows people to grow in all their potential, socially and professionally, as well as in responsibility, hope and co-operation.”

Pope Francis

4.1 The re-emergence of mutualism as part of a highly networked sharing economy

The BCCM believes that one way to address these challenges is to foster the spirit of mutualism and the growth of business models where citizens, through their membership, are owners of business and therefore economically engaged in production.

It was Lord Beveridge, in his *“Report on the Inter-Departmental Committee on Social insurance and Allied Services,”* published in 1942 who said, *“The state, in organising security should not stifle incentive, opportunity, responsibility. It should leave room and encouragement for each individual to provide more than the minimum for himself and his family”*.³

Known as the Beveridge Report, this became the blueprint of the UK’s post war social security consensus and in time, was also adopted in Australia and New Zealand.

Mutuality has its origins in co-operation between people, collective self help, people doing things for themselves, often because there was nobody else to do it for them. Co-operatives formed in pre and post-war years in response to market failure often in the provision of basic food and provisions. Friendly Societies and mutual insurance developed to support people in times of misfortune. Building societies helped people provide for their own housing when they could not get finance elsewhere.

Despite this rich history, co-operatives and mutuals have not traditionally provided human services as we know them today. Indeed, modern human services are a feature of the last 80 years or so, and therefore post-date the emergence of mutuality. So historical mutuality is not necessarily designed for human services. Rather it had its origins in other sectors such as supporting self help with the provision of basic goods and services, insurance and finance.

Drawing on UK experience with some parallels in Australia, the history and evolution of co-operative and mutual organisations has a *“long arc”* which shows they have not always been as

³ Business Council of Co-operatives and Mutuals (August 2014) *Public Service Mutuals: A third way for delivering public services in Australia*. Public Service Mutuals Task Force.

*“fleet-footed as they should have been”*⁴. In a case study on the Co-operative Group for ResPublica, Len Wardle suggests that in the second half of the 20th century (in that co-operative) there was a failure to react quickly enough to change and stay attuned to the needs of members and customers. The key lesson to take forward from this is that the original reason for co-operatives and mutuals was to serve the needs of members through well-run, ethically responsible business, founded on a different ownership model with a democratic structure that demands close engagement with them around a set of values that seeks to harmonise commerce and community without compromising either.

Whilst there are some small examples of co-operatives and friendly societies becoming involved in human services, in the later part of the 20th century, in Australia, the origins of human services have become more connected with the charitable and voluntary sector.

From this historical account a new form of co-operative and mutual enterprise needs to emerge, one that moves beyond the old single constituency models that are now somewhat outmoded. A more contemporary evidence based multi-constituency approach is now more appropriate, one that enables self-help and empowerment between citizens, communities, paid and unpaid workers and government.

The BCCM acknowledges this history, and in the context of this review, we believe⁵:

1. Mutual self-help, based on earned income and a sound business model is a more realistic basis for large-scale service delivery than a purely charitable model or a purely commercial approach (which can be disastrous in some contexts, especially where service users are vulnerable and there is market failure such as asymmetry of information).
2. Mutuality is proven as a business concept in other times, but needs to be adapted for today, and specifically for human services.
3. The early results of new types of mutual organisation based on a variety of constituencies is positive, and the underlying concept of providing voice and ownership to users, paid and unpaid workers is powerful.
4. Fundamental to the culture change which is needed is the recognition of the importance of the role of ordinary citizens simply doing what to many (but not everybody) is just normal. The future will be based on these three cohorts: paid workers, unpaid citizens, and citizens accessing services. People will move between these constituencies, and sometimes be in more than one.

In Australia, before the State stepped in the mid-20th century, there was a rich tapestry of services provided by mutual self help and philanthropic organisations, which individuals and communities were providing.

Following a decline, the concept of mutualism and self help is experiencing a resurgence where it is being considered as part of a *“third wave”* of public sector reform involving governments, collaborating in *“deliberative relationships”* with social businesses (including not-for profits and voluntary organisations) and business.⁶ The rise of the collaborative sharing economy is also buoying interest in co-operative and mutual business models, as increasingly people use digital

⁴ Wardle, Len The Co-operative Group: Lessons from the Past –Advice to the Future in a case study for ResPublica Making It Mutual: The Ownership Revolution that Britain Needs edited by Caroline Julian.

⁵ The BCCM acknowledges the insights and wise counsel from Cliff Mills of Mutuo UK for this perspective on the history of co-operatives and mutuals in human services.

⁶ Butcher, Dr. John (July 2016) The Three Sector Solution, a monologue of essays on delivering public policy in collaboration with not-for-profits and business.

platforms to connect with each other in what are essentially self-help relationships. These platforms are making it easier for people to connect with each other to meet their everyday needs and this includes in many areas of human services.

Globally, there are many examples of well-formed co-operatives and mutuals serving many billions of people and gaining support across a broad political spectrum.

Modernised mutualisation as described above, can transform the delivery of public services and deliver benefits to a range of public service stakeholders including service users, service commissioners, workers and the communities they serve.

- For users and communities, mutualisation raises the quality of the public services they receive.
- For commissioners (funders), mutualisation increases both the value for money and the effectiveness of services they commission.
- For workers, mutualisation improves their wellbeing and the conditions under which they work.⁷

“The Australian Government will consider what it can do to foster more co-operatives in the agriculture sector.”

Barnaby Joyce, Deputy Prime Minister (quote made as Minister for Agriculture)

“Government should work with the Business Council of Co-operatives and Mutuals to ensure legal, regulatory and economic environments promote the development of mutuals and co-operatives.”

A New System for Better Employment and Social Outcomes (McClure Report)

“Raising awareness of co-operatives, will promote their use and potentially strengthen the bargaining position of small businesses dealing with large businesses.”

Competition Policy Review, Final Report (Harper Review)

4.2 Co-operatives and Mutuals are trusted to provide diversity and choice in a growing Human Services industry

CMEs add diversity and a counter-balance to human services delivery systems and help mitigate risk to the economy. Australia’s CME businesses proved to be resilient in the Global Financial

⁷ UK Public Service Mutuals Task Force (2013) *The Next Steps* page 11.

Crisis. According to the 2015 National Mutual Economy Report, In 2013/14 total annual turnover grew by 14% for the Top 100 CMEs in Australia while the total combined assets for the group grew by 7% compared to the FY2012/13.⁸

Mutual businesses operate longer term business strategies and provide competition and choice for consumers in a range of markets. The Top 100 CMEs are spread across Australia with concentrations in NSW (45%); Victoria (16%); Western Australia (12%); South Australia (13%); Queensland (10%); Tasmania (2%); and the ACT (1%).

There are recent examples where mutual businesses have established trust as a safe pair of hands for the transfer of public service business to the non-government sector. In 2015, Australian Unity won the tender to transfer ownership of the NSW Government's Home Care Service for \$114m.

"Is it a mutual, or is it privatisation? The sale of the NSW Government's home care service to Australian Unity has revived talk of public service mutuals. Even the unions are happy"⁹

Article from The Mandarin, 4 September 2015

This example of the Home Care Service of NSW demonstrates the ability of mutual businesses to provide structures as public service providers that keep them accountable to their users and to taxpayers. Mutual businesses like Australian Unity are seen to provide business structures that protect the public interest with plans to invest millions in improved technology for the Home Care Service and generate a new revenue stream for their large and growing aged care business.¹⁰

"When people perceive there to be a coincidence of governance institutions, values and culture, and entitlements which takes their interests into account, then the organization is understood to be legitimate, and people are more likely to consent to their interactions with the organization being conducted by its rules. However, when the rules of the organisation appear to benefit investors or managers to the exclusion of other stakeholders, then some sense of legitimacy which sustains institutional fabric will be eroded".¹¹

4.3 When people are economically engaged in co-operative enterprise they are more motivated and this creates better outcomes for service users and workers.

The UK Public Service Mutuals Taskforce identified two kinds of benefits from mutualisation:

⁸ Business Council of Co-operatives and Mutuals (2015) *National Mutual Economy Report*

⁹ The Mandarin 4 September 2015

¹⁰ The Australian (January 8, 2016) Australian Unity: Mutuals want bigger role in Social Services.

¹¹ Yeoman, Dr. Ruth Governance and Voice: How mutuals and employee-owned businesses create stability, resilience and legitimacy in a case study for ResPublica edited by Caroline Julian.

instrumental and intrinsic. Instrumental benefits arise where mutualisation acts as an instrument in improving the productivity and efficiency of the organization and the quality of the service it provides, thus benefiting both service users and taxpayers. Intrinsic benefits are benefits that are intrinsic to the organisation and to the employees themselves, including improvements in their morale and overall sense of wellbeing.¹²

An evidence paper, *Our Mutual Friends* commissioned by the UK Public Service Mutuals Task Force chaired by Professor Julian Le Grand, concluded there is a significant body of reliable evidence suggesting that well-designed mutualisation in public services has the potential for yielding considerable benefits in a number of ways.

Mutuals can be directly beneficial to employees, with higher wellbeing, lower staff turnover and absenteeism than their competitors. For service users, mutuals can offer a higher quality service with superior customer satisfaction. The Public Service Mutuals concerned in the UK were also found to be more innovative, more efficient, more productive and more resilient to turbulence. Significantly, they are also more accountable, given their primary stakeholders are intrinsic to the organisation (consumers, employees) rather than external and distant, as shareholders are in the case of the private, listed companies.

Public Service Mutuals in the UK context involved public servants being given the right, under legislation, to “spin out” from government and form employee owned businesses in various areas of public service delivery, including human services.

“Because we know organisation form matters in the delivery of what outcomes are achieved in human services, there has been a considerable focus in the UK, especially over the last decade, on enabling one form of mutual to emerge, that is, employee-owned mutuals. There has been good progress with around 100 new mutuals formed with a great variation in size. In a range of public service delivery areas including human services, they have demonstrated increased user and worker satisfaction as well as increased productivity. Overall, the performance of employee owned co-operatives is very convincing, with many examples of remarkable success and not a single failure to date. Of course, in addition to employee owned mutuals, there are different forms of co-operatives and mutuals including user-owned, producer owned, and multi-stakeholder, each of which could be effective in different markets.

I am increasingly convinced if you have private for-profit organisations – especially those that are shareholder owned – delivering human services where users have poor information about quality, there would be severe problems in achieving the outcomes that seem to be envisaged by this review”.

Source: Professor Sir Julian Le Grand, Chair UK Public Service Mutuals Task Force (July 2016)

This evidence is very relevant to the Productivity Commission’s Human Services Inquiry because in many areas of human services, particularly aged care, disability services, community services and (some areas of) health, where wages for caring professionals can be very low, with challenging working conditions and a predominantly female and migrant workforce, it is mission critical to build and sustain a strong workforce of engaged people. Enabling their

¹² UK Public Service Mutuals Task Force (2012) *Our Mutual Friends: An evidence paper*

economic participation through ownership can be one way to do this.

Virginie Perotin (2014)¹³¹⁴ in ground breaking research, has compared the performance over time of worker co-operatives internationally with conventional businesses, including reviewing statistical studies on the firm's productivity survival, investment and responsiveness.

This research found that worker co-operatives represent a serious business alternative and bring significant benefits to their employees and to the economy. The main findings from the research were:

- Worker co-operatives are generally larger than conventional businesses and not necessarily less capital intensive
- Worker co-operatives survive at least as long as other businesses and have more stable employment
- Worker co-operatives are more productive than conventional businesses, with staff working "better and smarter" and production organised more efficiently
- Worker co-operatives retain a larger share of their profits than other business models
- Executive and non-executive pay differentials are much narrower in worker co-operatives than other firms.

Reinforcing this evidence base from Virginie Perotin and other papers from the UK Public Service Mutuals Task Force¹⁵, Professor Le Grand made the case for why mutual and co-operative organisation forms should be considered as a preferred delivery model in human services:

"In most contestable markets for human services, if the aim is for higher quality, greater user and worker well-being, more community involvement, greater accountability at an efficient price, then the best kind of organisations are mutuals of some kind. The type of mutual might differ in different markets, sometimes user-owned, sometimes employee-owned, sometimes multi-stakeholder. But if the design is right, again both theory and evidence suggests that they will generally perform better on almost any criteria (including productivity) than the alternatives¹⁶¹⁷. So, if the Productivity Commission is committed to introducing choice and contestability in public services, of which human services are a very large part, it should remove the barriers to mutual formation in human services and perhaps also introduce some positive incentives".

A characteristic that is shared by human services is the importance of relationships formed between someone in need of support and care, and the worker responsible for giving that support and care. This compelling recent evidence about the comparative advantage of

¹³ Perotin, Virginie (2014) "Worker Co-operatives: Good, Sustainable Jobs in the Community", Journal of Entrepreneurial and Organisational Diversity, 2 (2), 2014, p34-47

¹⁴ Perotin, Virginie "What do we really know about worker co-operatives?" in a publication for Co-Operatives UK

¹⁵ Le Grand, Julian Public Service Mutuals: The Next Steps A Mutuals Task Force Report

¹⁶ Professor Le Grand referred the co-authors to the highly credible work of Virginie Perotin and other evidence from the UK Public Service Mutuals Task Force.

¹⁷ Perotin, Virginie (2012) "The Performance of Workers' Co-operatives" in P. Battilani and H Schroeter (eds) A Special Kind of Business: The Co-operative Movement 1950 – 2010...and Beyond, Cambridge University Press.

mutuals (especially where employee/worker ownership is central to the model) is important for the Productivity Commission to consider in this Inquiry.

Previous reports by the Productivity Commission into aged care and disability services have documented the significant workforce challenges in being able to recruit, retain and develop sufficient workers in both these industries.¹⁸ In aged care for example, the Commission found the demand for aged care workers would increase significantly over the next 40 years as a result of increased demand for services from older Australians. Aged care employees make up around 23% of the total health and social assistance workforce (ABS 2009b; Martin and King 2008). In late 2007, there was an estimated 262,000 people employed in aged care and the Productivity Commission concluded that meeting the supply of aged care workers in the future is problematic.¹⁹ The story line is similar in disability services.

Another recent UK publication reviewed the development of a thriving industry in social co-operatives operating in a range of social care and human services sectors.²⁰ Compared to Australia, the UK appears to be far more advanced in implementing policies to enable user choice and control, including direct payments in both health and social care. The personalisation agenda started in the UK in 1996-97.²¹ Social co-operatives have demonstrated an agility in being able to develop a consumer directed ethos and engage with their customers in co-production, often as members of multi-stakeholder co-operatives. In Italy, there are literally thousands of co-operatives, however we note the context is important and needs to be considered in its very specific political, social and legal conditions.²²

The UK experience highlights there is a good fit with these new consumer directed policies and co-operatives that are based on what Paul Hirst has described as “*Associative Democracy*.”²³ Hirst highlighted the need for an integration of economic and social forms of governance and showed how co-operative and mutual enterprises working with the state, could address the need to decentralise and democratise economic and social institutions in the 21st Century. Many of the successful UK social co-operatives discussed in Section 7 have multi-stakeholder membership that include service users and workers. The functioning of these mutual governance models is best when based on the International Co-operative Principles and has been found to contribute to high levels of customer satisfaction and meaningful jobs for workers.

¹⁸ Productivity Commission (2011) *Caring for Older Australians* and (2011) *Disability Care and Support*.

¹⁹ Productivity Commission (2011) *Caring for Older Australians*. Pages 347-350.

²⁰ Conaty, Pat for Co-operatives UK “*Social Co-operatives: A Democratic Co-Production Agenda for Care Services in the UK*”.

²¹ Crossland, Kevin – Specialist adviser to BCCM on the UK personalization agenda – 21 July 2016.

²² Mills, Cliff Mutuo UK in feedback on this submission and interview with the co-authors on 20 July 2016.

²³ Hirst, Paul (1994) *Associative Democracy: New Forms of Economic and Social Governance*. Polity Press.

“Direct payment started in the UK in 1996-97, although we are only starting to see the real benefits from this in recent years. There was a lot of opposition from different quarters, especially from providers who wanted to keep their block funding contracts. Mindset and culture has been massive. If you don’t change the mindset and culture of some of these organisations you are hitting your head against a brick wall. The social workers are very flexible but it’s often the leadership who are not as supportive”

Source: Kevin Crossland Director Equinox TC, specialist in personalisation and direct payments in the UK and advisor to the BCCM.

4.4 Making a place for co-operation and fair competition in the reform of human services

There are currently barriers that limit the potential of CMEs to compete on a level playing field with other providers and these need to be removed.

In March 2016, the Senate Economic References Committee handed down its recommendations following an inquiry into co-operative, mutual and member-owned firms. The 17 recommendations at [Appendix B](#) received bi-partisan support and taken together, address the most important areas for enabling CMEs to compete on the same basis as other company structures.

More detail on these recommendations is covered later in this submission.

“The Committee recommends that the co-operative and mutuals sector be better represented in government policy discussions, and is actively promoted as a possible option for service delivery particularly where community-based initiatives are being considered”

Source: Senate Economic References Committee – Recommendation 2

Writing for ResPublica, Ed Mayo, CEO of Co-operatives UK has articulated the case for a “Co-operation Policy.”²⁴

The underlying thought is the idea that co-operation is central to how a society works and as such, is a foundation for effective competition.

Citing research in economics (Ormerod and Johns 2001)²⁵ two models involving competition and co-operation were examined and compared. One model was perfect competition in free market theory where co-operation was non-existent. A second type of model allowed for a

²⁴ Mayo, Ed (undated) *The case for a Co-operation Policy* in “Making it Mutual: the ownership revolution that Britain needs edited by Caroline Julian for ResPublica.

The ResPublica Trust is an independent, non-partisan think tank that focusses on developing practical solutions to enduring socio-economic and cultural problems in the UK. ResPublica’s ideas are founded on the principles of a post-liberal vision of the future which moves beyond the traditional political dichotomies of left and right and which prioritise the need to recover the language and practice of the common good.

²⁵ Ormerod, P and Johns, H (2001) “*System Fitness and the Extinction Patterns of firms under Pure Economic Competition*” Volterra Consulting (online)

form of co-operation between agents. Two results from this work are relevant for the Productivity Commission to consider in the context of a review where competition policy is at the heart of reform in human services.

1. The behavior of the model that involved co-operation approximated the real world better than the model that involved only competition; and
2. The model that involved co-operation was far less volatile than the competition-only model, which suggests that co-operation helps in making an economy more resilient.

“Models of pure economic competition do not provide a good description of how many industries actually behave, and...a certain amount of collaboration and co-operation between firms is required for the survival of an industry”

Source: Ormerod and Johns (2001)

The implication of this for policy reform in human services is that the enforcement of strict economic competition between firms by regulatory authorities, particularly in industries in which entry is relatively easy, runs the risk of causing large scale extinctions of companies.

The authors conclude this is not to suggest firms should collude. Rather, its about recognising there is *“good co-operation”* that can enhance consumer and market outcomes and this should at least be understood and at best, enabled by government and regulators.

The BCCM considers that maintaining and enhancing competitive markets requires a set of policies and laws embodied in government’s competition policy that enable this *“good co-operation”* to occur.

In applying competition policy reform to human services, we accept the reforms should seek to ensure there are no barriers to entry, other than those that can be justified by a public interest test.

On one hand, the easy entry of new firms, and the prospect of entry to a market is critical to maintaining that competition in the market produces the least cost of production for a given level of quality. Doing this, also generates innovation. Enabling new entrants into a market can be a way in which innovation and user responsiveness actually occurs. In the context of achieving reform, this can be particularly so in highly regulated sectors, such as aged care and disability services, providing the interests of vulnerable service-users are adequately protected.

However, an issue in human services to be considered, (which the Commission alludes to in its Issues Paper) is to consider the important contribution made by many community-based charitable and not for profit organisations, including mutuals and co-operatives, and how they can operate on a level playing field when human service markets are contested.

The BCCM considers that a key objective of competition reform in human services is to treat all prospective new entrants in the same ways, subject them to the same regulatory requirements unless there is a good public policy reason for treating some differently.²⁶

Co-operatives and mutuals provide an alternative legal structure for consumers to gain

²⁶ BCCM (June 2014) Submission to the Competition Policy Review

advantages of scale and increase their bargaining power in the market (e.g. bulk buying from suppliers to gain discounts). In producer co-operatives, self-employed members and member businesses or community groups band together and find strength in numbers. This model has great potential in thin markets for human services, or where a mechanism is needed to pool funding around a particular area of disadvantage, such as in rural and regional Australia.

The BCCM encourages the Productivity Commission to consider how co-operation can co-exist with competition to enable diversity of ownership in human services markets and enhance outcomes for consumers, workers and taxpayers. We contend that where competition in human services markets impedes the emergence of self help and co-operation, whether this is between individuals or corporate entities, it is likely the public interest is not well-served.²⁷

5 A thriving co-operative and mutual sector in Australia that is more mature internationally

5.1 Co-operatives and mutuals in Australia

CMEs comprise an important and significant part of the Australian economy. They are the firms owned by, or governed to benefit, their members, operating in every sector of the economy.

This overlooked part of the economy provides goods and services for eight in ten Australians who are members of at least one co-operative or mutually owned business.²⁸

CMEs in Australia contribute to a strong national economy in a variety of sectors. In 2015 there were at least 1,960 registered CMEs in Australia, encompassing co-operatives, mutual enterprises, friendly societies and member-owned superannuation funds.²⁹ They range from firms such as the large Western Australian bulk grains handling co-operative CBH Group Ltd with an annual turnover of \$3.94 billion, to small community-based child care and disability co-operatives and sporting clubs.

The combined turnover for the Top 100 Australian co-operatives and mutuals (not including member owned superannuation funds) for 2013-14 was \$27.9 billion with combined assets of \$111.46 billion.³⁰ When the income of the top 10 member-owned funds is included, turnover is \$107.4 billion.

In 2015 Australian CMEs had a combined 14.8 million member owners, over double the number of ASX shareholders (6.48 million).³¹ The high membership count reflects the multiple memberships held by many Australians in their trusted and long standing co-operative and mutual organisations.

²⁷ Mills, Cliff and Morrison, M (August 2015) *Expanding the role of co-operative and mutual enterprises in delivering public services*. Paper prepared for ANZSOG

²⁸ "Who knew Australians were so co-operative? The size and scope of mutually owned co-ops in Australia", Institute Paper 10, The Australia Institute, Dennis, R. & Baker, D (2012)

²⁹ Mazzarol, T., Mamouni Limnios, E., Soutar, G.N., & Kresling, J. (2015). Australia's Leading Co-operative and Mutual Enterprises in 2015: CEMI Discussion Paper Series, DP 1502. www.cemi.com.au, Centre for Entrepreneurial Management and Innovation.

³⁰ "2015 National Mutual Economy Report", Business Council of Co-operatives and Mutuals (2015)

³¹ "2015 National Mutual Economy Report", Business Council of Co-operatives and Mutuals (2015)

5.1.1 Different regulatory options apply to co-operatives and mutuals in Australia

Some CMEs are registered under their state or territory Co-operatives Acts while others are incorporated under the Corporations Act, 2001 with a co-operative constitution. The regulation of the first type of CME is the responsibility of their respective state or territory government agency. This is usually a Registrar of Co-operatives that is found within the Department of Commerce, or in some cases the Department of Justice. The second type of co-operative is regulated by the Australian Securities and Investments Commission (ASIC) which means it applies uniformly in all States and Territories. Those with financial activities are also regulated by the Australian Prudential Regulation Authority (APRA).

Mutuals are regulated under the Corporations Act, with special provisions regarding membership and mutual capital. Mutual providers of financial and banking services are also regulated by APRA.

Other mutuals are regulated under the Corporations Act as unlisted public companies limited by guarantee and operating within a mutual code of governance

As market participants in the supply of goods and services, CMEs are the same as companies. Like companies, CMEs stand or fall in the market: their efficiency and consumer demand for their goods and services determine if a co-operative fails or flourishes.

5.1.2 There are marked differences between CMEs and companies

The formal differences between a company and a CME lie primarily in their member focus, internal governance and the nature of their share capital.

CMEs can do two things. One is that just like publicly listed companies (PLCs) they can offer new products and services. The other is that, unlike PLCs, because of their community membership and governance they do so in a way that contributes to community cohesion and resilience.

Profits are reinvested to develop the business or are returned to members in the form of improved services or lower costs. This member focus results in a cost structure that does not need to satisfy dividend seeking by external investors.

CMEs rely on strong member engagement through their democratic control mechanisms and active membership requirements.

The practical consequences of the differences between CMEs and companies are profound. They provide a way of marshalling the social and economic contributions of people, who may not be able or inclined to strike out on their own. In doing so, co-operatives are innovators and enhance the diversity of market offerings.

Their closer engagement with members enables them to focus closely on the needs of members and customers for high quality products and services at least cost prices, rather than the interests of investing shareholders. CMEs, particularly those established to serve particular industries or communities are able to offer special or tailor-made services, that investor owned counterparts cannot, because CMEs have a lower profit threshold to stimulate innovation. They will provide what people want because that is why they are formed.

In these ways, CMEs can be important providers of alternative goods and services, even in markets that are dominated by a small number of very large firms, such as retail groceries.

Co-operatives and mutuals can adopt longer-term strategies and sustainable principles

contributing positively to Australian prosperity by reinvesting surpluses in the business for the benefit of the members or directly and indirectly back into the local economy.

The presence of these mutual businesses creates a strong competitive force in many markets in the economy that can drive all firms, regardless of ownership structure, to price their products competitively and to provide consumers with choices about goods and services. In markets for health insurance and financial services, mutuals and co-operatives already provide strong competition on price and product diversity.

In its assessment of the impact of the global financial crisis, the International Labour Organisation demonstrated that co-operative and mutual businesses proved more resilient during the economic downturn and the following austerity measures. The unique combination of member ownership, control and benefit is at the core of their resilience.

The absence of the need to meet short-term expectations of shareholders and financial analysts permits these entities to pursue business strategies aimed at long-term sustainability whilst meeting their members' needs.

Accordingly, CMEs have been able to withstand the financial downturn better than listed firms. This resilience has flow on benefits in terms of protecting jobs and livelihoods.

The BCCM believes that CMEs have much to offer in a competitive market. Co-operatives marshal local creativity and innovation, respond to members and consumers' preferences, provide diversity and choice that is especially valuable in markets that are dominated by a small number of suppliers, and strengthen regional communities and build a sense of community in cities.

CMEs include both not for profit and for profit entities. They run lean and efficient business operations for their members and their communities.

5.1.3 CMEs operate in all parts of the Australian economy

CMEs operate in all sectors of the Australian economy, including in agriculture, banking and finance, insurance, retail, manufacturing, human services, education, housing, health, aged care and childcare, and motoring services, among others. CMEs have a long history in Australia going back to the second half of the nineteenth century.

They operate in every state and territory and because these businesses are domiciled and owned domestically their revenue remains in Australia for the benefit of Australians. Currently, three of the top ten Australian enterprises in the IBIS World Top 500 Private Companies are co-operatives, two of which are in the top five.

The data from the review of the largest Australian CMEs by turnover and assets³² suggests that there is no limit on the size, geographic distribution or industry sector for such businesses. Although most CMEs are small and many are focused on social or community activities the largest enterprises are well run and highly competitive businesses. In many cases they are amongst the most dominant firms in their sector and play an important role in their sectors.

Recent government initiated reviews have recognised the importance of CMEs. The Harper Review noted the opportunities presented by CMEs as a way to address unequal market bargaining power, as well as providing opportunities for delivery of government services. The

³² Mazzarol et al., 2015; BCCM, 2015

McClure Review of Australia's Welfare System directly recommended that the Government work with the BCCM to ensure regulatory support for CMEs, especially in policy areas which can reduce welfare dependency.

CMEs are increasingly seen as a good choice for providing public services. Australia can lead the way by enabling new mutual businesses to provide high quality and efficient services, whilst maintaining a public service ethos. The importance of the CME sector in contributing to diversity, innovation and choice in the delivery of human services has been articulated in the widely accepted recommendations of the BCCM in its White Paper on Public Service Mutuals released in 2014.

5.2 At an international level, Australia's adoption of co-operatives and mutuals in health and social care is less mature

In 2014, the Quebec International Summit of Co-operatives focused on "*Better Health and Social Care*" with a focus on how co-operatives and mutuals work in the health and social care sector internationally. To mark this event, a major international survey of co-operatives and mutuals involved in health and social care was conducted.³³

Key figures from the research

- Total number of persons worldwide using the facilities of co-operatives and mutuals engaged in the health sector was 81,000,081.
- Total number of co-operatives and mutuals engaged in health activity was 4,961.
- Number of countries with co-operatives and mutuals which own and/or manage facilities such as clinics, medical centres, hospitals is 43.
- Number of social care co-operatives worldwide is 14,806.
- The co-operative is applied in the pharmacy sector at all levels worldwide: retail pharmacies, wholesalers, drug producers (laboratories).
- In developing countries, health plans provided by co-operatives or mutuals frequently are the only affordable option for millions of people.

Innovation

- Health co-operative contractors provide high quality, efficient services for Costa Rica's social security system.
- Continuum of care offerings by diverse types of co-operatives in Italy.
- The Esprui Foundation in Spain runs hospitals in collaboration with the government. This has led to cost savings for the national health system and to higher satisfaction among users.
- Co-operatives provide options for innovative Personal Health Record Platforms in

³³ Jean-Pierre Girard (2014) *Better Health and Social Care: How are Co-ops and Mutuals Boosting Innovation and Access Worldwide: An international survey of co-ops and mutuals at work in the health and social care sector. Volume 1 & Volume 2.* Presented at the 2014 Quebec International Summit of Co-operatives. This study makes a significant contribution to international information about co-operative and mutuals in health and social care. However, the editor notes that a recent WHO publication recognized many countries do not have strong health information systems so data can vary in quality. More research is needed including the production of detailed case studies.

Finland.

- Mutuels provide health care to indigenous people in Paraguay.
- Women's Health Co-operative has become a model for community empowerment due to its provision of easily accessible and affordable health care services in Tikathali Village in Nepal.
- Thanks to a fruitful partnership with a Public Health Regional Centre and municipal housing office, a home care co-operative in Canada provides overall service to seven homes for the elderly and six homes for people with disabilities.

Major Players

- UNIMED (Brazil) brings together 354 medical (doctor) co-operatives which represent up to 110,000 doctors and provide services to more than 19 million people.
- In Italy, 10,836 co-operatives operate in the social sector, mainly in social assistance and individual services.
- NOWEDA is a retail co-operative of pharmacies. It has 16 outlets in Germany and one in Luxembourg and has 8,600 pharmacies in membership. It is among Germany's 150 largest enterprises.
- Close to 90% of Rwandans have a health plan with a Health Mutual Organisation.
- ACHMEA (Netherlands) provides health and other insurance to about half of all Dutch households and is also active in seven other European countries as well as Australia.

Source: Better Health and Social care. How are Co-ops and Mutuals Boosting Innovation and Access Worldwide? Lead Researcher and Editor, Jean-Pierre Girard (2014)

In Australia, the data is incomplete about the exact number of mutuals and/or co-operatives in health and social care.

As at 30 June 2015 (the latest date for which there are accurate figures available from APRA) there were 23 Mutual Private Health Insurance funds (PHIs) of which 9 were restricted membership. There were a further 5 PHIs which were owned by mutuals (2 by a Friendly Society, 2 by Credit Unions and 1 by a Medical Defence Organisation)

The total number of industry players at that time was 34, but since then, two of the non-mutual PHIs have been purchased by mutual PHIs.

Although the mutual and mutual owned funds represent the bulk of the industry by number of entities, their total number of contributors is only 2,311,561 compared with 4,133,035 contributors to listed/shareholder owned PHIs.

There are twenty-five Pharmacy Friendly Societies which between them operate 130 pharmacies. These figures are provided by the Australian Friendly Societies Pharmacies Association. Unfortunately, there are no consistent accurate figures on membership turnover, but the biggest of them, National Pharmacies, which operates 55 of the 130 pharmacies has a membership of 306,000 and in 2015, its turnover was \$280 million, so it is reasonable to assume that the total turnover of this sector would be in the region of \$700 million.³⁴

³⁴ This information on PHIs and Mutual Pharmacies was kindly provided to the BCCM by Tony Cannon, Strategic Adviser to the Group Managing Director, Australian Unity 25 July 2016.

5.3 Different types of co-operatives and mutuals are influenced by the reasons for forming them and the markets in which they operate

There are three main types of co-operatives and mutuals: consumer, producer and enterprise; with hybrids of these three types also occurring. Each has much to offer the human services sector.

5.3.1 Consumer co-operatives

Consumer or community-owned co-operatives work best where people with a common need or sense of purpose collaborate towards agreed goals. Consumer co-operatives can be ideal for disadvantaged groups where there is the energy, commitment and expertise in their community to tackle problems. Consumers can pool funds including personalised budgets in a co-operative to increase purchasing power especially in thin markets. They can also form intentional communities such as the Waverton Hub in Sydney's Lower North Shore where approximately 100 residents have formed a mutual to support them to live well and independently in their community.

Consumer co-operatives are built on the huge range of support groups and organisations in public services that have been developed by consumers throughout Australia. Consumer co-operatives recognise the importance of personal identity in human services. People want to identify with the support they receive and they want it to be culturally relevant.

Co-operatives provide consumers with enhanced networks, focused information often curated from a consumer perspective, mutual self help, increased confidence and skills. They are an outstanding method of developing the capacity of their members to participate in the broader community and in markets that favour larger entrants.

Consumer co-operatives have demonstrated success and have enormous further potential with some of Australia's most disadvantaged groups including Indigenous groups, small rural communities, people from culturally and linguistically diverse (CALD) backgrounds, people with disability and their families and older Australians in need of care and their carers. If given the right support, many more of these groups will collaborate to find their own solutions to the issues they face.

Examples of community-owned co-operatives are the Parent Assisted Residential Accommodation Co-operative (PaRA), Dandenong and District Aborigines Co-operative Ltd, and patient owned, National Health Co-operative (NHC). Customer owned banks like Bank Australia and member owned mutuals like HCF and NRMA are also forms of consumer co-operatives.

5.3.2 Producer co-operatives

Producer Co-operatives work best with employees who share a common goal and have the skills and will to co-operate. They provide staff with autonomy and the ability to make judgments as to how to provide the best service at the local level. They free staff to act entrepreneurially and to innovate.

Successful public services are characterised by strong relationships and personalised services. Employee co-operatives and employee governed businesses have proven highly effective for working with people with complex needs, where consistency of personnel is required, and

where services are focused on being empowering. Staff based co-operatives could prove particularly effective in providing care services for people with disabilities or ageing Australians, and also in rural, CALD and Indigenous areas where staff attraction and retention has proven problematic.

Examples are Nundah Community Enterprise Co-operative and Co-operative Home Care (CHC).

5.3.3 Enterprise co-operatives

Enterprise co-operatives can support smaller local providers to compete by enabling them to share corporate functions including bulk purchasing, accounting, human resources, marketing, client software and occupational, health and safety services. Enterprise co-operatives can assist smaller and specialist organisations to increase productivity and market power whilst retaining local input and local jobs. They can be especially effective in thin markets such as many parts of rural and regional Australia.

Governments throughout Australia are seeking larger, more efficient public service organisations with a single point of entry for a wide range of complex social problems. Many smaller, yet highly effective social support organisations may not survive competing against larger organisations with economies of scale.

Larger organisations are replacing smaller local groups with long held relationships, local knowledge and specialist expertise. Local people and organisations are becoming concerned about what is lost in these reforms and industry restructuring.

Community Child Care Co-operative Ltd and Common Equity Housing Limited (CEHL) are examples of enterprise co-operatives.

5.4 The BCCM White Paper on Public Service Mutuals

Over the past 20 years, Australian governments have found new ways of delivering services that had traditionally been government responsibilities. These have included privatisation, corporatisation, and contracting out. Hitherto the co-operative model has not been considered much as an option for service delivery.

Yet CMEs have a common purpose with Government in the provision of human services. They aim to deliver shared value for members (consumers) and the community and do so on an efficient and commercial basis. Indeed, many of Australia's largest mutuals actually provide public services, for example the motoring clubs like NRMA, RACQ and RACWA.

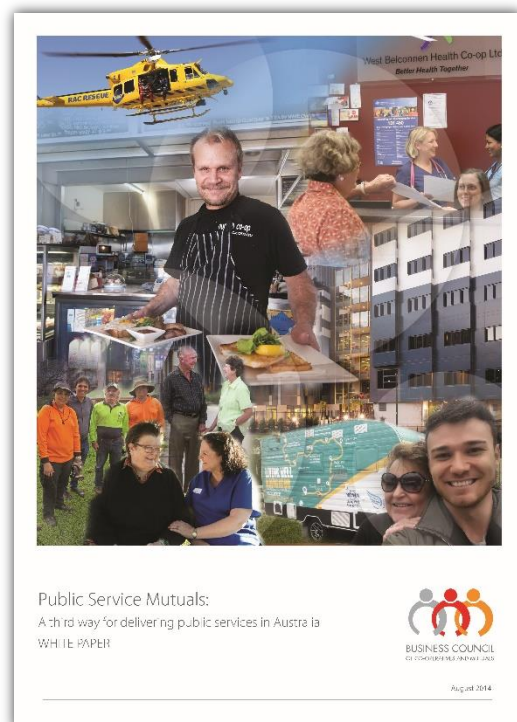
The BCCM has argued governments should more readily consider co-operative and mutual models in the context of human service delivery.

The BCCM established the Public Service Mutuals Taskforce in 2013 to assemble evidence from Australia and overseas about how CMEs build economic and social value and offer an alternative way for delivering public services in Australia.

The BCCM released a paper entitled, "The roles for co-operatives and mutuals in delivering Australian public services", in November 2013 and a Green Paper: "Public Service Mutuals: The case for a third-way for delivering public services in Australia" in June 2014, focused on how supporting the growth of co-operatives and mutuals in Australia would foster innovation in the

delivery of public services and create social and economic value for all Australians.

On 4 September 2014, the BCCM launched the White Paper entitled, “Public Service Mutuals: A Third Way for Delivering Public Services in Australia”³⁵ at Parliament House, Canberra. In launching the paper, the former Minister for Social Services, the Hon. Kevin Andrews MP said, *“The question I’m keen to explore is how we, the government, can help you, the co-operative and mutual sector, take things to the next level”*.



The White Paper illustrates and examines the context for delivering public services in Australia as governments face major budget constraints with increasing demand for services. This is especially so in social services and health where the combined impact of the ageing population, globalisation, digital disruption, housing affordability and social exclusion require new ways of thinking about how to enable citizens to become more involved as members of a civil society in public service delivery.

As part of this reform, the White Paper calls for the recognition and realisation of a third way of delivering public services based on an expanding role for co-operative, mutual and member owned businesses. This includes the opportunity to explore the potential for employee owned mutuals as well as other forms of “Public Service Mutuals”, such as enterprise co-operatives, producer co-operatives and consumer co-operatives.

The White Paper draws on extensive consultation with stakeholders including governments, social care providers and the wider co-operative and mutual sector in Australia and in the UK. It examines evidence from the UK and other jurisdictions where governments have introduced legislation to enable the formation of mutuals to deliver public services, including in health, social care, emergency services and education.

We have explained in previous sections how evidence used by the UK Public Service Mutuals Task Force showed that mutual models lead to lower production costs and higher productivity. CMEs are also more resilient to changes in social and economic conditions and demonstrate higher rates of customer satisfaction, lower staff absenteeism and turnover and increased staff commitment and enthusiasm to their work.

The UK has considerable experience in the use of the co-operative model for delivering public services. In July 2013 there were 71 PSMs employing 35,000 people and delivering over \$2 billion of human services. They have been established across a wide range of services in the UK, including health, disability services, emergency services, education, justice and housing.

³⁵ Business Council of Co-operatives and Mutuals (2014) Public Service Mutuals: A third way for delivering public services in Australia, prepared by the Public Service Mutuals Task Force with assistance and support from Net Balance.

Lessons learned from the UK experience with Public Service Mutuals.

1. Despite the achievements where around 100 new mutuals formed, because they involve change, there are barriers that need to be overcome in forming them and this takes more time than may have been expected. Some of these barriers occurred where despite enthusiasm from front-line workers, in some cases it was harder to secure support from managers. There could be many reasons for this, however it may have been a generational issue.
2. Securing capital so the mutual can scale and grow was another hurdle that had to be overcome. Most of the new public service mutuals that formed relied on bank debt to get the capital they needed to expand. A government guarantee for a fixed period could address this.
3. When contracts were commissioned, it was sometimes difficult for newly formed mutuals to compete especially against larger established providers. Some of the challenges included not having an established track record and EU rules on procurement that required a level playing field. This did not enable preferential bidding which had to be overcome and became very important to enable these new mutuals to grow. Preferential bidding was extended to 3-year contracts after which they were exposed to full competition.
4. There were challenges to the formation of Public Service Mutuals from different sources including from public service trade unions who argued they were a cover for privatisation. Apart from concerns about the perceived loss of public service jobs, there were issues about what happens to the assets when public services are transferred to a Public Service Mutual. This was addressed by the formation of Community Interest Companies (CIC) a special legal form for these Public Service Mutuals that regulated public assets could not be sold and were only able to be transferred to another CIC, providing a bar to the threat of privatisation.

Across Australia, the Commonwealth and the States directly provide public services through departments of government or publicly owned enterprises. So far, the desire to achieve independence and efficiency for service providers has led to the binary choice between public ownership and privatisation.

There are certain sectors or industries in any economy that are unlikely to operate as effectively as possible where there is a profit motive which may be operating in counterpoint to the provision of necessary services. For example, in areas such as health care, aged care, child care and the provision of affordable housing, the focus of service should be on outcomes for service users, as opposed to the interests or profit of the company delivering services, or a return on investment to shareholders.

By combining the discipline of business with a commitment to public service that is accountable to taxpayers, co-operatives and mutuals can offer a third way of serving the public interest.

The White Paper argues the inherent characteristics of CMEs can help government and the market meet the demands of service by consumers and achieve the desired outcomes of user choice and control, efficient, productive and innovative service delivery models whilst delivering a social and economic 'return on investment' for taxpayers.

Public Service Mutuals are well placed to support community resilience where public services cannot be delivered due to market or other service provision failure. Co-operatives and mutuals have proven to be particularly useful when:

- Services are too expensive for government or market forces to provide;
- There are low or variable profits;
- Specialised service is needed; and
- User input is required in service design and delivery.

The Public Service Mutuals White Paper concluded that co-operatives and mutuals should be playing an increasingly significant role in the social services sector and details the key benefits as:

- Increasing organisational diversity in public service markets;
- Harnessing the professionalism of employees and unleashing entrepreneurialism;
- Increasing consumer choice and control; and
- Stimulating innovation.

Commentary on service with for profit focus

The issues inherent in attempting to marry a 'for profit' motive with a need to deliver high quality service to consumers has been highlighted in the Australian media following the release of the annual survey of aged care homes by Bentleys Chartered Accountants, which showed that the average profits in the industry rose by 40 per cent last year, while time spent caring for residents declined by 7 per cent. It has further been noted that the average number of hours aged care workers spend caring for residents in Australia is 2.8 hours per day, well below the minimum of 4.5 hours per day of nursing care mandated in the US. Public sentiment is clearly against this practice, as responses to these articles in letters to the editor have been quick to condemn the companies seeking to derive profit from providing care to elderly, often vulnerable people.

Similar patterns and commentary can be seen in the primary health care and child care sectors. In a 2012 report by the Federal Department of Health and Ageing into the corporatisation of general practice in Australia refers to a November 2000 scoping paper by the Australian Medical Association which raised concerns about the participation of publicly listed corporations in the primary health care market.

The AMA raised particular concern about the profit motive of private companies operating in the health care space. In a 2001 speech, then President of the AMA, Dr Kerryn Phelps, said:

"Like many things in the Australian community, the provision of medical services is fast becoming a market-driven commodity. This, to the AMA, is not always a good thing."

Dr Phelps went on to say:

“There is also the real danger that the power of corporations could potentially influence and alter government health policy. Given the priorities of the corporates are with their shareholders, this may involve policy decisions that are not related to the public interest or the best interests of the medical profession.”

Concerns about corporate entities deriving profit from primary care provision have been in the public discourse for well over a decade. As the Australian population continues to age, and more people become reliant on health and aged care services, governments will need to act to ensure that services are delivered in a more cost effective way, while delivering a high level of client care.

Human services are identified in the Final Report of the Competition Policy Review (Harper Review)³⁶ as a priority area for competition policy reform. Greater competitive pressure would increase diversity among providers that would better meet people’s preferences and needs, while also generating productivity gains.

In this context, the Final Report identifies mutual providers as a new means of delivering human services. The Panel noted, amongst other matters, the potential of CMEs to increase diversity in public sector markets, increase consumer choice and control and stimulate public service innovation. It was recognised that developments in other jurisdictions in this sector were the result of public policy and capacity building activities.

The Report observes that as user needs evolve and preferences continue to evolve, public service mutuals could play a greater role in meeting individual and community needs, possibly in conjunction with other significant government initiatives.³⁷

The best test of how much greater that role should be is to allow new entrants to the market to offer alternatives and for people to be free to choose between these alternatives. To achieve this, governments need to promote low barriers to entry, while ensuring requisite service quality standards, as the Report concludes.³⁸

The BCCM strongly supports this policy position. We also want to make the point that not only should barriers to entry be lower, they should be consistent among different categories or types of entrants. In some cases, and we explore this in later sections, where it is important to stimulate the market and build the capacity of some organisation forms, consideration needs to be given to development initiatives.

New mutuals forming as co-operatives, face significantly higher Commonwealth and State regulatory barriers to entry than entities that establish themselves as companies. There is no public policy rationale for these higher barriers faced by co-operatives.

Although the particular interest here is fostering competition in the delivery of human services, the benefits of reforming entry requirements for new CMEs would extend to all sectors of the economy, including retailing, transport and primary production.

³⁶ Harper, Professor Ian; Anderson, Peter; McKluskey, Su; and O’Byrne, Michael (March 2015) Competition Policy Review Final Report

³⁷ Ibid Final Report page 248

³⁸ Ibid Final Report page 249

Competitive markets secure allocative and dynamic efficiency through which the economy provides society with the least cost supply of the goods and services people want, and the innovation and productivity growth through increases in material standard of living.

Securing, maintaining and enhancing competitive markets require a set of policies and laws, embodied in government's competition policy.

5.5 The Senate Inquiry into Co-operatives and Mutuals in Australia

Since its inception in 2013, the BCCM has advocated for a broad based review of the operating environment for co-operatives and mutuals and on 2 March 2015, the Australian Senate referred the role, importance, and overall performance of co-operative, mutual and member-owned firms in the Australian economy for inquiry.

The recommendations handed down by the Senate Economics References Committee (SERC) on 17 March 2016 provide a blueprint to address existing barriers to innovation, growth and free competition for the co-operative and mutual sector.

The inquiry found:

- Co-operative and Mutual Enterprises are a systemically important part of the Australian economy; and
- They face barriers that inhibit growth, innovation and free competition

The SERC was persuaded on the balance of evidence that careless regulation and regulatory omission presented sufficient barriers to CMEs that their economic potential was curtailed. As domestically owned businesses, which are taxed locally, this represents a cap on the contribution of the sector to the economy.

Furthermore, lack of government funded data collection and the exclusion of the business model in teaching curriculum compounds the low awareness of co-operatives and mutuals.

The Senate found that a lack of recognition of the co-op and mutual business model was a barrier to the growth of the sector. Therefore, dissemination of the evidence of the scale and diversity of the sector is important to raise awareness and increase recognition of the CME sector.

The Senate also noted that lack of expertise on CME businesses by professional business advisors is an issue for attention in future, and information, education and advice about establishing, governing and regulating CMEs needs to be improved.

Mechanisms to facilitate capital raising by CMEs such as defining co-operative shares as capital, information and advice about options for capital raising for CMEs, and amending the Corporations Act to facilitate equity issues by mutuals are all options which would remove barriers to accessing capital, and thereby growth, for CMEs.

In addition, government support for business development should avoid excluding CMEs such as the current restrictions that apply to co-operatives applying for government co-investment and business development grants.

Of particular relevance to the delivery of human services, the Senate found that (Recommendation 2) “that (the) co-operative and mutuals sector be better represented in government policy discussions, and is actively promoted as a possible option for service delivery particularly where community based initiatives are being considered.”

The recommendations from the Senate are a sound foundation for state and federal government actors, plus universities and the wider industry, to engage around removing the barriers to the outcomes CMEs are capable of achieving for human services delivery.

The recommendations of the SERC are attached to this submission in Appendix B.

The BCCM refers those bodies concerned with ensuring competitive neutrality for Australian businesses to these recommendations, including in this submission.

To guide the coordination of reforms the BCCM has developed a Co-operatives and Mutuals Charter that proposes principles for governments to examine regulatory policy to better ensure competitive neutrality for co-operatives and mutuals.

Effective reform programs need an institutional owner responsible for driving the changes and accountable for their results.

The issues facing co-operatives and mutuals are sector wide. They are not confined to a specific market. Without stronger institutional drivers, the work of addressing the barriers facing potential new CMEs will not be done.

For this reason, the BCCM agreed with the emphasis in the Final Report of the Competition Policy Review on the importance of the institutional framework for delivering competition reform.

6 Developing a shared understanding of what constitutes improvement in Human Services

Central to the Productivity Commission’s approach to human services reform is the proposal to increase competition, contestability and informed user choice in the market for services. This understandably begs the question about what constitutes improvement in human services. The Commission suggests improvement can be assessed in human services by five attributes: quality, equality, efficiency, accountability and responsiveness.

It is hard to argue with the relevance of these, but they are somewhat focused on a market-based and consumerist analysis. In contrast, they do not address much longer term issues which are crucially important such as sustainability, consistency, ability to adapt to changing circumstances, and other areas where a mutual organisation would expect to perform well. These shorter term measures could be viewed as favouring a highly efficient profit-driven model, which is not really what human services are about. Of course everyone wants good quality and efficient services, but they are also interested in them treating workers well, employing local people, working well with other agencies and providers and crucially, reinvesting back into communities.

6.1 Commenting on the proposed attributes for improvement in human services

An important underpinning for the proposed reforms to be effective is that there is a shared understanding about what is included in each of these attributes of improvement suggested by the Commission, how each is measured and the weight given to each in assessing what combination of them constitutes improvement and therefore, to be in the public interest.

The BCCM considers that in reforming human services, there needs to be a fundamental challenge to traditional ways of organising and governing currently based on top down hierarchical and bureaucratic structures. This culture and practice needs to be turned on its head.

The alternative is to focus on people – as citizens and the users of human services – by placing them at the centre of service delivery. Human services policy and supporting systems need to be re-designed so service users can exercise informed choice. The services they receive must demonstrate how they make a fundamental difference in their lives and how these outcomes are sustained over time. For some people, this will be assessed over a life time. For example, by taking an actuarial based approach, the National Disability Insurance Scheme aims to allocate a reasonable cost to achieve user-led outcomes over life for people with disabilities who are eligible.

The progress made in the UK around introducing consumer directed human services policies including direct payments, appears to be having a significant impact on improving outcomes for service users within budget parameters set by government. Notably, the quality of debate about the benefits of direct payments and the attributes for successful implementation from people like Kevin Crossland from Equinox TC and BCCM adviser, others like Simon Duffy for the UK Centre for Welfare Reform and another BCCM adviser, Julian Le Grand in his book, *The Other Invisible Hand*³⁹ seem to provide important guidance on how to approach the reform agenda in Australia.

“The rationale for this shift in power to people is simple: to provide people with the best possible services for the money spent. We believe that when people have the power to make decisions and exercise choices to meet their own needs, the value of public funds can be greater than when the state makes decisions for them. We also recognise that our approach to opening up public services must be affordable and sustainable in the longer term. In applying our principles, we will always take into account the need to use public funds wisely”.

UK Government (2011) Open Public Services White Paper

³⁹ Le Grand, Julian (2007) *The Other Invisible Hand*, Princeton University Press, Princeton, New Jersey

6.2 Gaining insights from others will help inform the reform agenda

In the White Paper on Open Public Services in the UK, the modernization of public services (that includes human services) is based on 5 principles⁴⁰:

- **Choice** – Wherever possible we will increase choice
- **Decentralisation** – Power should be decentralized to the lowest appropriate level
- **Diversity** – Public services should be open to a range of providers
- **Fairness** – We will ensure fair access to public services
- **Accountability** – Public services should be accountable to users and taxpayers

In the White Paper, there is recognition that these principles may have to be applied differently to different types of public services, making a one-size-fits-all approach hard to implement. Three types of services have been identified – Individual services (i.e. personal services used by people on an individual basis such as education, skills training, adult social care, child care); Neighbourhood services (i.e. services provided locally usually on a collective basis (e.g. community safety, leisure and recreation facilities) and commissioned services (e.g. usually national that cannot be devolved to individuals or communities such as tax collection, prisons, emergency healthcare or welfare to work)

Whilst this approach would need adapting to the Australian context, the BCCM considers this way of adopting a set of broader reform principles, supported by consistent measurement and applied flexibly to suit different types of services, has merit and may be worth the Productivity Commission exploring further.

6.3 The international co-operative principles can help inform a shared understanding of improvement in human services

CMEs are unified by the 7 International Co-operative principles. The BCCM considers these principles can help guide and inform the Commission's thinking about what contributes to improvement in human services.

International Co-operative Principles	Meaning
Voluntary open membership	Acts in best interests of members and designed around their needs
Autonomy and independence	Enterprising and independent of vested interests
Democratic member control	Members democratically involved in decision-making
Member's economic participation	Members must demonstrate active membership and participate economically

⁴⁰ UK Government (July 2011) *Open Public Services* White Paper. Presented to Parliament by the Minister for Government Policy. Section 2.

International Co-operative Principles	Meaning
Education, training and information	Investment in education, training and information that empowers members to participate
Co-operation among co-operatives	An ecosystem of co-operatives supporting each other and philosophically united to support growth and innovation
Concern for community	Re-investment of surpluses back into communities and to create shared value

With a commitment to social value, rather than shareholder value, co-operatives and mutuals offer a clear alternative to standard business ownership models. Using a variety of different legal and organisational forms, co-operatives and mutuals operate as social businesses and can innovate to improve the outcomes of public service delivery in ways that can be quite distinct from government service provision, private for profit businesses or some current not-for profit models.

The Final Report on the Competition Policy Review highlighted the importance of transparency in accounting for and reporting on community service obligations in human services.⁴¹ A requirement for determining what constitutes improvement in human services is ensuring there is transparency about how social or shared value is measured. This is particularly important where government subsidises specific ownership types through measures such as direct payments or tax benefits.

How the Smith Family measures improvement?

One of Australia's oldest charities, the Smith Family has been on an innovation journey for over a decade, transforming itself from a traditional welfare support agency to one where their driving purpose is to help disadvantaged children get a good education. The key breakthrough for their transformation was noticing the same families coming through the door. They needed to take more of an early intervention approach to address inter-generational poverty. Evidence and experience told them there was a strong correlation between educational attainment and socio-economic disadvantage. A decade on, the Smith Family is less reliant on government funding (26%) with the balance from philanthropic donors. They systematically measure their impact.

Short term outcomes are measured

This includes short term outcomes such as improved literacy, numeracy; improved self efficacy; improved aspiration and motivation; improved networks and relationships; improved understanding; and improved sustained school attendance.

Longer terms outcomes are also measured

This includes young people in work and training; Year 12 completion or equivalent; young people staying engaged in learning.

⁴¹ Professor Ian Harper, Peter Anderson, Su McCluskey and Michael O'Bryan QC (March 2015) *Competition Policy Review* Final Report op cit

Source: Lisa O'Brien, CEO Smith Family July 6, 2016 extracts from a speech at the Australian Catholic University

The BCCM considers public service markets such as human services, which often service the needs of the most vulnerable citizens, should have a clear focus on serving the needs of people and communities. They should operate to maximize public benefit rather than shareholder value.⁴²

6.4 The BCCM perspective on what constitutes improvement in human services

The ultimate challenge in defining what constitutes improvement in human services is about how to deliver services that where possible, are led by consumers and responsive to their needs and do this efficiently and effectively at a defined level of quality without compromising accountability to taxpayers.

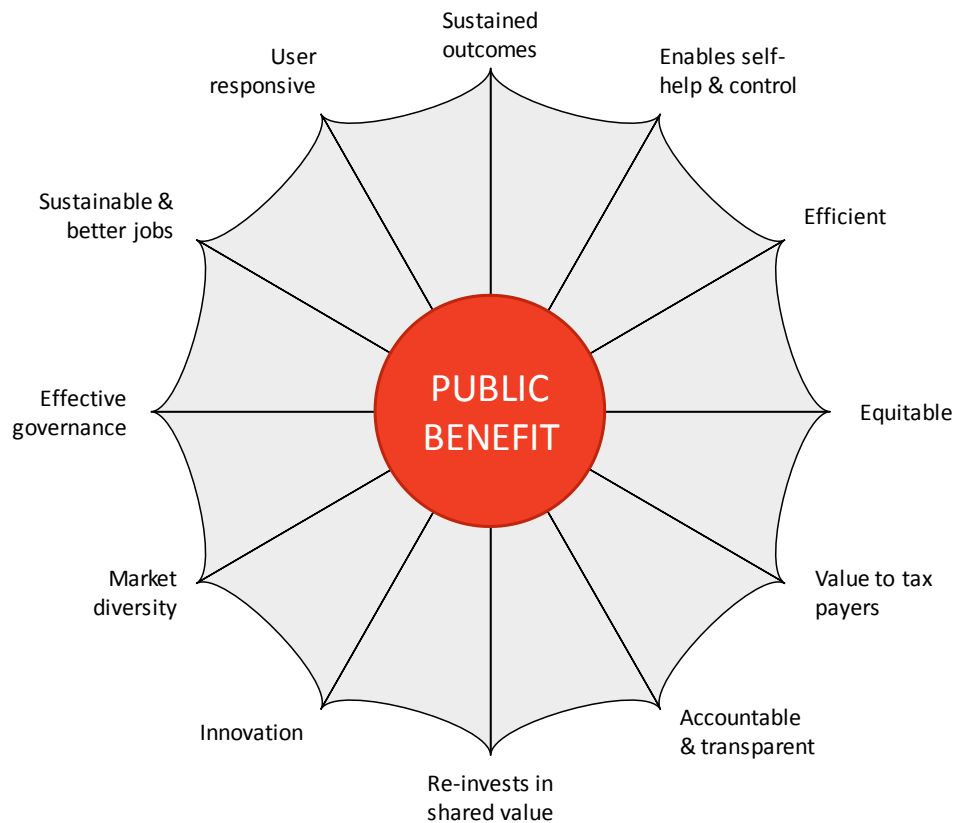
Inevitably there will be compromises to be made as human services already represent a significant investment of taxpayer funds, and most also operate in a wider context of increasing demand, complexity and changing community expectations.

Developing consistent ways of measuring outcomes beyond inputs and outputs is therefore critical to enabling some of these compromises to be transparent to everyone.

Figure 1: Improvement in human services must pass a public interest test

This diagram attempts to show the inevitable tensions that arise in considering what might constitute improvement in human services as a result of increased competition, contestability and user control. Ultimately, the challenge is how to improve user responsiveness and secure the effective engagement of the users of human services along with effective governance in all aspects of leadership and service delivery, whilst also being accountable and transparent for achieving outcomes and provide value to taxpayers. Some of the attributes in this diagram may inevitably follow by getting this balance right and achieving what the BCCM considers to be the public benefit.

⁴² Jonathan Bland (undated) *The Potential for Greater Social value: Mutuals and social enterprises in public service markets*. This essay was part of a collection of essays edited by Caroline Julian for ResPublica in a publication called "Making it Mutual: The ownership revolution that Britain needs".



6.5 Summary Request for Information 1

BCCM RESPONSE TO REQUEST FOR INFORMATION 1.

The BCCM considers that improvement in human services is ultimately described and measured by a number of attributes that taken together require service providers to be accountable to service users and to taxpayers and that considered together, can reasonably be assessed as meeting a public interest test. In human services, where the users of these services are vulnerable and often marginalised people, the BCCM considers this public interest test should be weighted to using an evidenced based view about what services actually make a positive difference in people's lives and where this can be demonstrated to be sustained over an extended period of time. In addition to the 5 attributes covered by the Productivity Commission, the BCCM considers attributes that enable self help and empowerment of service users including from informal supports and volunteers and the reinvestment of surpluses into communities and the creation of shared value are just as important.

7 Having clarity about the organisational form best suited for delivering human services in a world of choice and competition helps to identify services best suited to reform

“In addition to the requests for information in the issues paper, the Productivity Commission should have asked another question. That is, what organisational form is best suited to delivering human services in a world of choice and contestability? For the answer to this question is crucial. Whether the introduction of choice and contestability works in delivering high quality, equitable, efficient, accountable and responsive services in a particular market will depend crucially on the type of supplier or delivery organisation. So, to take an obvious example, in a contestable market where users have poor information about quality (such as in health and social care), both theory and evidence suggests that a for-profit corporation will behave very differently from a not-for-profit charity: being more efficient in reducing costs, but providing lower quality”.

Source: Professor Sir Julian Le Grand, Chair UK Public Service Mutuals Task Force and London School of Economics.

The BCCM understands that the Productivity Commission needs to undertake a detailed analysis of each industry segment within human services. This means analysing and understanding the demand and supply side characteristics of each segment (and the product and services within them). The Commission’s approach to identifying services best suited to reform outlined in the Issues Paper (and summarised in Figure 2 of that paper) seems appropriate and is best done by the Commission with people who are expert in each service delivery area.

However, the BCCM considers the Productivity Commission needs to also ask the question *“What organisational form is best suited to deliver human services in a world of choice and contestability?”*

7.1 The importance of trust, leadership and good governance in those who deliver human services

Best practice governance and leadership (executive and non-executive) are critical enablers of building trust in organisations and institutions that deliver human services. This is especially so when the users of those services are vulnerable people who need protection, such as occurs for example, in disability services, aged care and public services for children and young people. When trust is eroded in an organisation, then the community understandably loses confidence in that organisation’s ability to deliver quality and services that make a difference in people’s lives. For example, in the Royal Commission into Institutional Responses to Child Sexual Abuse, there have been very high profile accounts where organisations that were trusted to protect

children did not do so. When questioned on this, the leaders of these organisations usually acted to protect the institution rather than the children whose care and protection had been entrusted to them. This raises very important moral and ethical questions about in whose interests the organisations that deliver human services act? In human services, there can only be one answer and that is in the interests of the people you are serving. This ethical view on governance and leadership shows how conflicts inevitably arise when an organisation is not clear about to whom they are accountable.

In his book, *The Invisible Other Hand*, Julian Le Grand (2007) refers to “knights” and knaves” in the context of delivering public services. The term “knave” comes from the 18th century philosophers who used it to describe people whose primary concern is self interest. In contrast, “knights” are those whose principal concern is with the welfare of others.⁴³ We note, by and large it is what Le Grand describes as the trust model, that predominates in the delivery of most human services in Australia. To use Le Grand’s analogy between knights and knaves, trust models assume those providing services always act in knightly ways. The pursuit of self interest in a trust model is more likely to occur when the system that funds and regulates it is arranged in the interests of providers, rather than service users. As we know, this is predominantly the case in human services, whilst acknowledging the progressive reform agendas currently underway in aged care and NDIS. However, such reforms are in their infancy in Australia.

We have developed arguments in earlier sections about the need to change mindsets and culture in organisations that deliver human services. In Australia, the majority of human services are delivered by NFPs and charities, although this is different across industry segments within human services.

The nature of the concept of social enterprise is evolving in Australia. There are over 55,000 charities in Australia with over \$100b in annual revenue and assets in excess of \$170b. Not-for-profit (NFP) or social purpose enterprises (SPEs) employ over 1 million staff and their work is supported by over 1.8 million volunteers. Many are relying less on government funding with only 40% of revenue from government and 95% of revenue from government going to top 5% of NFPs and SPEs. The charitable and not for profit sector is growing in Australia at 7% per annum.⁴⁴

NFPs and SPEs are different from for-profit businesses and so they have different governance standards which are now regulated by the Australian Charities and Not for Profit Commission (ACNC). If this were not so, then the taxation advantages they receive could not be justified. By accepting government funding, including by way of tax concessions, NFPs and SPEs accept a higher level of public accountability. They are trusted by the community. However, they must justify that trust. Good governance requires transparency, accountability, stewardship and integrity.

The reform agenda in human services must consider what needs to be done to change the culture and improve the commercial and customer-centric mindset of some human service providers so they become focused on operating as “for purpose social enterprises” rather than as “not for profit charities.”⁴⁵ This is not intended in any way to detract from the important

⁴³ Le Grand, Julian (2007) *The Other Invisible Hand* Princeton University Press.

⁴⁴ Fitzgerald AM, Robert, Commissioner on the Royal Commission into Institutional Responses to Child Sexual Assault and inaugural Chair of the Australian Charities and Not for Profit Commission speaking at a breakfast meeting on Social Enterprises at the Australian Catholic University on 6 July 2016

⁴⁵ Ellie Cooper in Pro Bono News (29 June 2016) wrote an article “*Social business best Placed for NDIS*” reflected this idea.

contribution these organisations make to enhancing the social fabric and in achieving a more socially just society. However, the point we do want to make is there is a cultural mindset that comes with describing an organisation as “not for profit” and therefore deserving of guaranteed block funding from government in perpetuity. Inevitably, this masks gross inefficiency, poor accountability to service users and to taxpayers about outcomes, including transparency in how community service obligations are funded and reported.

7.2 Mutualisation as a third way to achieve improved human services

We believe mutualisation can be a disruptive influence to bring about this needed change in a constructive way. The introduction of more choice and contestability in the market for human services, including personalised budgets as is happening in the NDIS, is one way to drive this change. We have alluded to how personalisation and direct budgets in human services are relatively new in Australia, however in the UK they have been in place for two decades.

Earlier sections have also demonstrated that mutualisation is a better organisational delivery form for human services especially when compared to those that are for profit and privately owned, where the interests of owners and shareholders become more important than the people receiving the services.

The contribution of not-for-profit community based organisations is critical, yet without change, many may not adapt to the reform agenda envisaged by the Commission. From our co-operative development work, we consider this is particularly evident in rural and regional Australia and in growth sectors such as aged care and disability services, both undergoing significant reform now. Where organisations have relied so significantly on receiving a guaranteed revenue stream from Government, it appears to be more challenging for them to develop and execute sustainable business models.

Taking time to consider mutualisation as a “*third way*” for the delivery of human services will help lay the foundations for increased informed user choice and control, including more use of direct payments as has occurred in the UK. We consider this will facilitate innovation and achieve the diversity of ownership models required in contested human service markets. Whilst there have been mixed views about the effectiveness of the mutualisation of public services in the UK and of the use of direct payments, there is much Australia can learn from what has worked and what hasn’t.

The BCCM applauds the NDIS as a progressive human services reform with potential to demonstrate how a targeted social insurance program can work in Australia. However, from what we can see, the UK appears to have been far more progressive in implementing consumer direction and personalised funding and in providing an appropriate regulatory environment to enable new ownership models such as mutuals to emerge, evolve and grow.

The BCCM suggests the Commission needs to tap into this UK experience to assist in identifying areas for reform. Doing this will help gain insights about the pre-conditions for effective implementation of those reforms and whether mutualisation, including an increasing emphasis on “social enterprise,” could support the reform agenda needed in human services.

⁴⁶ Alan Greig in Pro Bono News (13 July 2016) wrote an article “Building the ‘New Economy’ with Sustainable Social Enterprises reflected this idea.

7.3 There are some pre-conditions that need to exist and this can help identify services best suited to reform

In the co-operative development the BCCM undertakes in Australia, and also learning from our international co-operative colleagues through the International Co-operative Alliance, we observe there is a confluence of pre-conditions that need to exist before a wave of opportunity emerges and the time becomes right to ride the wave.

Figure 2: The confluence of pre-conditions that create the opportunity for reform

Pre-condition	What needs to be in place
Community support	An opportunity to improve services. This may come from service users – or their intermediaries – identifying how services could be improved or it may be frontline workers committed to improving quality
Local leadership	There is usually a champion or leader who creates impetus and positive influence to pursue the change. This could be political support and also a local champion from within the leadership of an organization or community
A credible business opportunity	There has to be a convincing business plan that can sustain revenue over the long term. This could be revenue from creating a new business opportunity or it could be government funding including the revenue opportunities generated from being able to demonstrate how to operate services more effectively and efficiently, such as avoiding inappropriate admissions to acute hospitals or reducing the rates of recidivism in crime.
Policy environment	The right policy levers need to be in place to support the reform and this is helped with responsible Ministers and agency leaders advocating and actively engaged in enabling the reforms to proceed
National and State / Territory alignment	It helps when there is bi-partisan support for the reform and there are financial and non-financial benefits at all levels of government
Workforce Support	The people charged with service delivery, particularly frontline workers and their managers, need to support the reform as do trade unions and other industry bodies.

In our view, an analytical approach to identifying services best suited to reform has its place. However, it is probably best for the Productivity Commission to do this analysis and use this to test the results against other more ecological approaches. Our view is there are sometimes less rational ways of being able to recognise opportunities for reform potential.

In an interview with Cliff Mills from Mutuo UK, he outlined how they were now identifying opportunities for sustainable co-operative development.

The Confluence

Enabling mutual entities to emerge from public sector reform is not straight-forward, but the potential benefits are not difficult to identify. For it to come to fruition, it would seem that a number of different things need to come together, and the absence of any of them – whilst not necessarily being fatal – is likely to make success more difficult. The following are the relevant strands of activity:

- The possibility or even the requirement for a radical change in the approach to service provision, and in particular a move away from doing services to citizens, and towards the active participation by citizens in accessing services. This approach inevitably needs the support of workers – or at least their willingness to explore the opportunity. Support from Unions is important, so that they can become partners in adopting mutual approach.
- The right sort of leadership is needed. It needs to be bold and willing to take risks, but based on support from staff and the local community. The style of leadership needs to be consensus building and collaborative, not the more traditional heroic style with the leader out in front. The leader needs to be seen to taking the same personal risks as the rest of the work-force, but willing to take that risk because of a belief in a mutual and collaborative approach, and trust in their work-force and community. Who are your public social entrepreneurs in waiting?
- A mutual approach can only be considered where there is a credible business plan, where mutuality (user and employee membership) will enhance the business prospects through the engagement and support of users and employees. With such support, a business plan can be more likely to be delivered, and financial objectives met. But unless there are direct links between the member participation and the aspirations of the business, then the mutuality will be cosmetic and make no difference.
- The process of transformation will almost certainly involve one or more legal transactions, perhaps involving transfers of ownership or contracting arrangements. For these to be put in place, it is likely that central and/or local government support will be needed. Where the planned change is aligned with policy objectives, this is obviously more likely. But in addition there needs to be local political support from those who can enable or prevent things happening.
- User or customer support is needed for some form of mutual approach to be viable. Users are at the heart of mutuality, and although user support may not be possible at the beginning, it needs to be built over the course of time for the ultimate objectives to be met. The approach to and timing for this varies greatly from sector to sector. In some areas such as health, the starting point may be that individuals expect services to be available without any involvement and commitment on their part. A significant process of awareness raising is likely to be needed.

Source: Cliff Mills, Mutuo UK in an interview on 20 July 2016 with the co-authors

7.4 Improvement happens when services are organised in the interests of people who use those services

Our views about the nexus between increased mutualisation of public services and enabling informed user choice and control is not surprisingly echoed by Co-operatives UK.

In a consultation on personalisation and direct payments in the UK, Pat Conaty of Co-operatives UK said:

“...the main impediment to effective mutualisation of our public services is the lack of an economic relationship between the service user/customer and the provider. The dynamism of co-operation is (in my view) fundamentally based on the engagement of the individual in an economic enterprise, and where the individual is not spending any money, that engagement is necessarily more limited. So I see the extension of personal budgets and direct payments as potentially remedying this problem. Not only does it provide the individual with an incentive to get more for their money/budget, but as we know from nearly 200 years of history this tends to result in the creation of pro-social relationships which tend to encourage the individual to collaborate with others and share the benefits of trade for the wider public benefit”⁴⁷

Mutuo UK is working with Kevin Crossland, an expert adviser in personalisation of health and social care in the UK and BCCM adviser, on exploring the possibilities of creating co-operative and mutual enterprises based on innovative management of personal budgeting and direct payment funding streams. They see the major challenge and opportunity with health and social care integration in the UK context is problematic because of the institutional divide between the National Health Service and Local Government. In an Australian context, this is not dissimilar from the divides that exist between the Commonwealth and State and Territory governments that results in perverse examples of cost shifting, such as we see for example, between primary health care (Commonwealth) and acute care (State and Territory governments).

In the UK, personalisation and direct payments started in social care. However, they have now expanded direct payments into community health including integrated payments around social care and community health. In section 8 where we have compiled some case studies, we try to demonstrate potential opportunities for these reforms using examples of the UK NHS Foundation Trusts in community health. In the UK, they have two decades of experience with personalisation and direct payments and how these policy initiatives have been used to fundamentally transform areas of human services delivery where service users are at the centre of service design and delivery. There is an opportunity for us to quickly gain insights, apply the lessons learned and get started. This is an opportunity in our view, that the Commission must actively embrace in this Inquiry.

Building on the analysis we have done so far, including in the case studies that follow and detailed feedback from our UK advisers, the BCCM considers that focusing on achieving an integrated approach between Community Health and Aged and Community Care (what the UK calls Adult Social Care) could be an area of service delivery identified for reform by the Commission. We say this because this is an area where the opportunity costs of inefficiency and not achieving good outcomes are very significant indeed, especially where this contributes to over use and inappropriate use of acute health services. However, just as important is the

⁴⁷ Conaty, Pat (undated) Social co-operatives: a democratic C-production Agenda for Care Services in the UK for Co-operatives UK. Page 59

opportunity to build on the strong industry support that exists for aged care reforms⁴⁸, including consumer direction and personalisation, and the bi-partisan support for these reforms and the alignment of this with reforms in primary health.

CASE STUDY: Adult Community Health & Social Care in the United Kingdom

Community Health and **Social Care** in the UK are currently two separate systems administered independently but there are definite but slow moves to integrate the two systems.

Local Authority Social Services (i.e. local government) provide **Social Care**, the care needed to meet social needs and to enable individuals to live independently within the community. All community care should be delivered in the form of a **Personal Budget (PB)**. The Personal budget can be paid in the following ways;

1. Direct Payments – Individual employs carers or agency directly
2. Individual Service Fund (ISF) or Managed Account held by a third party
3. Notional Budget or Managed Account (Local Authority holds funds)
4. Any combination of the above

The government drive is towards Direct Payments as the preferred method, giving the individual more choice and control of their care provision.

Community Health Services are provided by the **National Health Service** (not local government). These services are commissioned by **Clinical Commissioning Groups (CCGs)** and are predominantly delivered by NHS Foundation Trusts, and a range of other organisations which spun out of direct NHS control, including Community Interest Companies (CIC).

In April 2014 it became possible for certain groups to receive community health services as a **Personal Health Budget (PHB)**. (In other words, in England and Wales we now have **PBs** for social care funded by local government, and **PHBs** for health care funded by the NHS.) A PHB is an amount of money to support the identified healthcare and wellbeing needs of an individual. PHB's are available to;

- Those receiving Continuing Health Care (CHC)
- Those with Mental Health Needs
- Maternity Services
- Anyone the CCG believe would benefit from one

They can be paid in the following ways;

1. Direct Payments
2. Notional Budget (funds held by CCG)
3. Third Party (funds held by Someone independent of the individual or NHS such as a Local Authority, but the CCG retains responsibility for decisions made)
4. Any combination of the above

Integrated Personal Commissioning

⁴⁸ Aged Care Sector Committee (2016) Aged Care Roadmap.

The Integrated Personal Commissioning (IPC) programme has been available since April 2015 and is a partnership between NHS England and the Local Government Association.

IPC joins up health, social care and other services at the level of the individual. Enabling them, carers and families to blend and control the resources available to them across health & social care to 'commission' their own care through personalised care planning and personal budgets. IPC also supports people to develop their knowledge, skills and confidence to self-manage through partnerships with the voluntary and community sector (VCSE), community capacity building and peer support.

Evaluating Personal Budgets & Personal Health Budgets

Personal health budgets and Personal budgets are evaluated using the POET survey⁴⁹, the main findings of the 2014/2015 surveys are;

Personal Health Budgets

- Overall, over 80% of personal health budget holders reported their budget having a positive impact on their quality of life (84.7%), independence (81.4%), and arranging support (83.5.1%).
- Over 70% of personal health budget holders reported their budget having a positive impact on their self-esteem (75.5%), feeling safe (76.3%), control over life (74.2%), family relationships (71.2%) and dignity (78.2%).
- Over 60% of personal health budget holders reported their budget having a positive impact on their relationships with people paid to support them (68.5%), friendships (67.3%), physical health (63.3%) and mental health (69.3%).
- Overall, small numbers of people (between 1.5% and 4.5%) reported their personal health budget having a negative impact on any of these 15 aspects of people's lives.
- Over 75% of carers said that having a personal health budget had a positive impact on day to day stress (82%), their ability to continue caring (92%), the quality of life for the carer (87%), quality of life for the person (91%), and choice and control for the carer (76%).

Full Report:

[www.thinklocalactpersonal.org.uk/ assets/Resources/SDS/POETPHB2015FINAL.pdf](http://www.thinklocalactpersonal.org.uk/assets/Resources/SDS/POETPHB2015FINAL.pdf)

Personal Budgets

- At least two thirds of respondents said their personal budget had made things better or a lot better in 11 of the 15 areas of life we asked about: Dignity in support (82%), Independence (78.9%), Arranging support (79.9%), Relationships with people paid to support them (75.9%), Quality of life (81.4%), Mental health (66%), Control over life (70.6%), Feeling safe (72.8%), Family relationships (74.6%), Paid relationships (67.8%), Self-esteem (73.2%)

⁴⁹ thinklocalactpersonal (2015) with Lancaster University and inControl "Personal Health Budget Holders and Family Carers" using the POET Surveys 2015 and POET Personal Outcomes Evaluation Tool.

- More than two thirds of carers said that as a result of the person they care for having a personal budget things had got better or a lot better in three of the eight aspects asked about: continue caring (78.6%); quality of life for the person being cared for (79.6%); and quality of life for the carer (71.3%).

Full Report:

www.thinklocalactpersonal.org.uk/assets/Resources/SDS/POET_social_care_FINAL_Oct_24.pdf

7.5 Other commentators have made contributions about areas for reform in human services

In the Next Steps report on Public Service Mutuals, the UK Mutuals Taskforce concluded *“The Cabinet Office is currently gathering information from nearly 100 mutual projects, that are either currently operating or on their way to spinning out. This includes projects working around 12 different service areas, from familiar sectors such as health services to children’s and adults’ social care, to youth services and to include fire and rescue authority services”*.⁵⁰

Co-operatives UK has identified 8 areas of public services that they consider would benefit from potential future co-operative development. These emergent areas include home care; health service mutuals; re-settlement/rehabilitation job creation co-operatives; retail co-operatives for home care and child care; social care co-operatives as an alternative to residential care through methods like the Hans Kai healthy living system in Japan and in Maine⁵¹. Hans Kai groups operate much like book clubs, but with a focus on healthy living: Members meet regularly to socialize, take Zumba or belly dancing classes, eat healthy food and measure and keep track of health indicators such as blood pressure and weight. The program originated in Japan after the Second World War as a way for people to monitor their own health amidst a lack of adequate medical services. “Hans Kai” is a Japanese phrase that translates to “group meeting.”

Hans Kai healthy living are actually co-operatives however are not branded as such in Japan. The movement has spread internationally, and now there are Hans Kai co-operatives in the UK, Canada and North America. This includes care and repair services including home improvement partnerships; voluntary and existing social enterprises seeking ways to transform their business models to be more focused on customers; and user-led co-operatives for co-delivery through a co-operative approach to deliver regional services including advice, support and training like happens at the Oxfordshire Wheel.⁵²

⁵⁰ UK Mutuals Task Force (undated) Public Service Mutuals: The Next Steps page 25.

⁵¹ The Han system is an example of participatory democracy and a commitment to community benefit. In Japan, nutrition and social care co-operatives known as the Seikatsu Co-operative Network have pioneered local food and community supported agriculture co-ops since 1965. The model has been introduced in Italy and found to improve wellness, social connection and dietary related health conditions. This is included in the UK Co-operatives publication on Social Co-operatives page 23.

⁵² Oxfordshirewheel website The Oxfordshire Wheel is a collaborative user-led multi-stakeholder co-operative, led by people with disabilities, and other users of services, including carers. The co-operative is committed to the delivery of the Putting People First agenda in Oxfordshire giving choice and control directly to the individual.

In his book, *The Invisible Other Hand*⁵³, although published in 2007, Julian Le Grand speculates on how different ways of funding public services could improve service delivery and outcomes. Some examples he suggested then included extending user choice in discreet areas of health and social care to include direct payments; building a “disadvantage premium” into funding to harness the power of positive incentives to improve outcomes for people who are particularly disadvantaged; and enable the formation of new kinds of providers more suited to a competitive and contested market – the example he uses is that of a “Social Care Practice” – where caseworkers working in social care for vulnerable people including children are enabled to “spin out” from government and form their own practices, receiving a quota of people to motivate and professionally support around achieving specified outcomes.

7.6 Summary Requests for Information

BCCM RESPONSE TO REQUEST FOR INFORMATION 2.

The BCCM considers the factors presented in Figure 2 reflect those that should be considered when identifying human services best suited to increased application of competition, contestability and informed user choice. However, the BCCM considers the Commission also needs to consider more ecological (less rational) ways of identifying services that may be suited to reform. This requires building and understanding of the pre-conditions that usually have to exist for reform to be effective. Another approach is to understand what can be learned from overseas approaches to human services reform, particularly in the UK where regulation and policies that have encouraged the mutualisation of some areas of public service delivery, greater use of direct payments and other funding mechanisms based on the attainment of outcomes. The Commission has an opportunity to build this into the Inquiry.

7.7 Summary Request for Information 3

BCCM RESPONSE TO REQUEST FOR INFORMATION 3.

The BCCM believes the focus for the reform of human services must be to comprehensively re-design the system around achieving informed user choice and control. This means following the successful parts of the personalisation agenda in health and social care that has been rolling out now for two decades in the UK.

The BCCM considers those areas that could most likely be prioritised for reform will demonstrate a confluence of 6 attributes and when these are present and aligned, there is usually a wave of opportunity that can be caught:

- 1. An opportunity for improvement that has community support especially from service users and/or their intermediaries*
- 2. Local leadership*
- 3. A credible and long term business opportunity with an identified revenue stream*
- 4. An aligned policy environment*

⁵³ Le Grand, Julian (2007) *The Invisible Other Hand*. Princeton University Press.

5. *Shared benefits for all levels of government including bi-partisan support*
6. *Workforce support especially from front line workers, their managers, trade unions and other industry bodies.*

Summary Requests for Information 5, 6, 7 & 8

BCCM RESPONSE TO REQUESTs FOR INFORMATION 5 - 8

The BCCM considers that specialised industry experience is needed to identify the characteristics of particular human services that might lend themselves to reform by way of increased competition, contestability and user choice. Our view is that the first test must be one that assesses each human service in terms of understanding what it will take to increase informed user choice and control whilst maintaining accountability and transparency to service users and taxpayers. We also consider that the Commission should have asked another question:

What organisation form is best suited to delivering human services in a world of choice and contestability?

“If the aim is for higher quality, greater user and worker well-being, more community involvement, greater accountability at an efficient price, then the best kind of organisations are mutuals of some kind” (Source: Professor Sir Julian Le Grand, Chair UK Public Service Mutuals Task Force and London School of Economics)

8 Co-operative and Mutual Case studies

There are many wonderful case studies here in Australia and overseas, that illustrate the opportunity for mutualisation and co-operation to help lay the foundations for future reform in human services. Influenced in different ways by co-operative and mutual principles what these case studies share in common is they incorporate some form of member ownership – most often by consumers, workers, producers and at times, multi-stakeholder or multi-constituency approaches. This means they serve the interests of their members, re-invest surpluses into communities and in growing the businesses and importantly are a viable (some would say only) alternative to privatisation.

They are democratically run so a co-operative business organisation form creates opportunity for service users (as Members) to be at the centre of decision-making. There are also wonderful examples where consumers and workers have come together as members of the co-operative to innovate service delivery and create better more sustainable employment. These case studies also demonstrate the power of social enterprise where “for purpose” organisations form around member needs and operate highly sustainable profitable businesses that help mitigate risk in the economy and increase diversity in the market.

8.1 How our approach to case studies can inform an understanding about which human services could benefit from reform

The case studies are presented using a standard template. Each category starts with a context and ends with summary insights that may guide the Commission in identifying areas for reform in human services and related issues that may become important for this Inquiry. Each individual case study contains summarised information about the co-operative or mutual, what services are provided and evidence of growth and impact.

8.2 Health

Context

Health co-operatives in Australia provide diversity and an alternative to private models of ownership. They are relatively new in Australia and where they have started, this has been in response to a shortage in supply and access to primary health care. The model is gaining traction and provides great potential for co-location of primary health and allied health with other social care services such as aged care. Health co-operatives have been a major part of the health ecosystem internationally, also as an alternative to private and traditional national ownership models. There are extensive examples of multi-stakeholder health and social care co-operatives overseas especially in the UK and Italy, making these models well-suited to community ownership where members are patients, employees and enterprises, all involved in the governance of health and social care. In the UK, the health co-ops started as employee spin-outs from the public service and have been established as Foundation Health Trusts where ownership is multi-stakeholder.

8.2.1 Case study 1: National Health Co-op (Australia)

About us

National Health Co-op's (NHC) journey started in 2004 with a meeting of local residents in Northern Canberra about the lack of affordable healthcare in the local area. A steering group was formed and settled on a co-operative solution. 8,000 homes were surveyed and a feasibility study, with ACT government assistance, confirmed the viability of a healthcare co-op.



NHC was registered in 2006 under the ACT Co-operatives Act 2002 and opened its first clinic the same year. NHC is a consumer co-operative; members pay \$10 per month. Non-members can access NHC clinics but they are charged commercial rates while members enjoy bulk billing.

What we do

NHC provides general practice, specialist and preventative medical services. Members have access to bulk billing, additional services and deals with partner ServiceOne.

As a consumer co-operative, NHC reinvests surpluses in ways that will benefit consumers: keeping healthcare affordable, more services or better services.

Our difference

NHC's success lies in careful planning and consultation in response to an identified need in the local community. Using the co-op model means that NHC stays responsive to community needs (that is, to its membership) over time. Business success is aligned with health outcomes for the community.

That's why NHC's major focus is promoting well-being and addressing chronic disease. NHC has identified the smoking status of almost 80% of its patients, compared to an ACT-wide average of 60%.

Our impact and growth

NHC has grown impressively from its inception. In 2014/2015, it had revenue of close to \$5.5 million, had 30,000 patient-members, with over 80 staff helping to provide 100,000 consultations. NHC's success rests on providing affordable, quality medical services to the local community.

NHC is now looking to expand from Canberra to Yass and Boorowa in country New South Wales. Some of this expansion also includes co-location with aged care homes.

NHC is well placed to augment its existing services with a wider range of health and community services.

8.2.2 Case Study 2: Central Surrey Health – CSH Surrey (UK)

About us

In 2006, CSH Surrey was formally established as a not-for-profit, limited liability company owned by its employees. CSH Surrey was the first social enterprise to be established by public sector employees.



Employee shares in CSH Surrey are held indirectly on behalf of the owner-employees by Guardian Shareholders, four employees selected by their peers. At the board level, employees are represented by a council called the 'Voice', made up of elected employees.

What we do

CSH Surrey provides a range of health services including community nursing, community hospitals, rehabilitation, speech therapy, physiotherapy.

Our difference

Employee ownership has led to higher engagement levels among staff. In their latest survey, CSH Surrey found that 92% of co-owners enjoy their work, compared with 68% of NHS Community Trusts generally.

In turn, employee satisfaction has led to higher quality care for patients. For example, 95% of patients known to nurses now achieve their preferred place of death, compared with a national rate of 67%.

Our impact and growth

In 2014/2015 CSH Surrey had a turnover of £31.5 million and close to 700 co-owners.

8.2.3 Case Study 3: City Health Care Partnership - CIC Healthcare (UK)

About us

City Health Care Partnership is an employee owned for-better-profit business that was formed in 2010 and operating in Hull, Merseyside and parts of Yorkshire and Lincolnshire. It spun off from NHS Hull and now has a relationship with the NHS similar to GPs and dentists.

All employees have the opportunity to become co-owners by buying a £1 share. Aside from allowing participation in the AGM, CHCP encourages employee participation through consultations and a shareholder forum.

Its core values are service, equality, innovation and co-operation.



What we do

CHCP provides a broad range of healthcare services including integrated community care, out of hours GP, dental, sexual health services, prison healthcare, and wellbeing and self-management services. CHCP partners with other healthcare providers in the region to deliver contracts.

CHCP also runs the CHCP Foundation that has reinvested hundreds of thousands of pounds into the local community groups and projects while giving co-owners business management experience.

Our difference

CHCP is one of the largest employee-owned enterprises in the United Kingdom with around 1400 employees. Careful development of an employee-owned culture has reaped benefit for employees, patients and the broader community in terms of employee engagement and quality of service.

Our impact and growth

CHCP won the Gold 'Stevie' International Business Award for Company of the Year - Non-Profit or Government Organisations in 2014.

CHCP's social impact reports show that they create £36 of social value for every £1 invested. CHCP is also financially robust, with over £70 million in revenue and a profit of £1.5 million in 2015 (up from £43.5 million and £500,000 respectively in 2011).

Under the Friends and Family test – whether an employee recommends CHCP's services – CHCP scores very highly. In early 2016, 96% of employees said they would recommend CHCP. Similarly, patient satisfaction has increased by 14% since CHCP's formation in 2010.

Since 2013, CHCP re-launched its employee ownership, increasing ownership to 62% of employees. This demonstrates that innovative structures, like employee ownership structure, need investment and time to take root and become effective in terms of quality of service and staff engagement and retention.

8.2.4 Case Study 4: Royal Devon and Exeter NHS Foundation Trust (RD&E)

About us

Royal Devon and Exeter NHS Foundation Trust (RD&E) was one of the first foundation trusts to be created (April 2004). The legislation enabling the establishment of NHS Foundation Trusts was passed in 2003. It was originally intended to enable high-performing trusts to gain “earned autonomy”.



So the first NHS foundation trusts, like RD&E, were high performing trusts. RD&E serves a population of approximately 460,000 people.

RD&E membership is open to staff, patients and the general public (over the age of 12, living in England) and currently stands at around 19,000 members. Patient and public members are divided into three geographic constituencies for the purposes of voting. The membership elects governors who can appoint the Chairman and non-executive Directors (who form a majority on the board).⁵⁴ Through this mechanism, amongst others, Foundation Trusts like RD&E aim to be more responsive to stakeholders, including local communities, in the provision of health services.

What we do

Foundation Trusts are Public Benefit Corporations, a legal entity created specifically for the NHS. As a Public Benefit Corporation, RD&E provides health services for community benefit. RD&E operates over 800 beds at two hospital sites with dedicated emergency, maternity, children's, intensive care and oncology wards. RD&E also provides community hospital theatres, stroke care, midwifery services and a mobile eye clinic.

RD&E has a charity that focuses on equipment purchases for the hospital, development for staff and non-commercial research.

RD&E also is heavily involved in health research. In 2014, a new research centre was opened in a partnership with University of Exeter.

Our difference

Devon has an older population profile than nationally.⁵⁵ Therefore, the strategic challenges RD&E faces now are those that will be faced by health service providers 20 or 30 years into the future. To meet the challenge, RD&E is focusing on providing leadership for community-led integration (not top-down from the Department of Health) of health and social care, as well as making use of new technology such as an Electronic Patient Record system

RD&E investment in its membership structure has been one resource (along with a board formed with other relevant local organisations) for an effective, local integration program. The trust engages with its members through a newsletter, elections, member meetings (with staff or management of the trust) and seminars.

Integration of health and social services is crucial to maintaining quality as demand continues to grow and national prices are reduced.⁵⁶ RD&E is beginning to carry out some community

⁵⁴ http://www.rdehospital.nhs.uk/trust/ft/your_governors.html

⁵⁵ [http://www.rdehospital.nhs.uk/docs/trust/documents/RDE Annual Report and Accounts 201415.pdf](http://www.rdehospital.nhs.uk/docs/trust/documents/RDE%20Annual%20Report%20and%20Accounts%20201415.pdf), p12

⁵⁶ http://www.rdehospital.nhs.uk/integrated_care/default.html

services that it believes can contribute to reducing its healthcare service provision costs in the longer term. It is also working with community leaders and other key stakeholders to improve co-ordination in service delivery.

Our impact and growth

RD&E has maintained a high level of service despite difficult conditions across the health sector in England. In 2014/2015, it retained the best rating for quality of service from regulators and is expanding into community care services.

RD&E has over 7000 staff and income of almost £400,000,000 in 2014/2015. The trust saw over 300,000 outpatients and 115,000 inpatient attendances every year.

RD&E is a high achiever in research, with a high proportion of patients participating in research that leads to improved and innovative service in the NHS over time.⁵⁷

Summary of case study insights for Australia: Health

This collection of case studies should be read in conjunction with the case studies on health, wellbeing and social care. We wanted to highlight the fledgling health co-op movement in Australia as well as the significance in the UK of the NHS Foundation Trusts. Since 2003, becoming a Foundation Health Trust is the aim of all NHS Trusts and currently, out of a total of 238 Trusts, 156 of them are Foundation Trusts. They represent a significant and growing part of the NHS in the UK especially when considered alongside the specialised NHS Community Health Foundation Trusts that integrate community health and social care.

There are interesting insights for Australia in how the UK has achieved a form of mutualisation of health services through these Foundation Trusts. Whilst Foundation Trusts are a type of mutual, their members have little if any powers beyond electing representatives to the Council of Governors. They appear to have empowered workers however and enabled citizens and the wider community to be more connected to their local health services. This has been done whilst still maintaining the primary accountability that the Secretary of State for Health has to oversee the provision of a secure and comprehensive health service.

8.3 Housing

Context

Housing affordability has been hot topic in Australia in the last 5 years. Many of the issues concerned with housing affordability and budget austerity measures limiting new public investment in social housing, are shared beyond Australia. Transfers of government owned social housing are occurring and this is raising concerns about privatisation, especially from unions, concerned with loss of public services and positions. As part of a more diverse market for housing supply, housing mutuals are being seen as an alternative ownership form. In the

⁵⁷ <http://www.rdehospital.nhs.uk/trust/pr/2016/south-west-health-research-supporters-thanked.html>

case studies that follow, tenants and employees are the members and this model brings with it the benefits of having members more democratically and economically engaged in decision making and governance.

- Housing affordability needs a supply solution and an acknowledgement that traditional social housing and rent assistance in the private market has failed.
- Housing co-operatives like CEHL show a way of balancing scale and community in meeting the shortage of affordable housing. Financial and social benefits that rent assistance (market) or public housing (top-down State provision) do not provide.
- The UK examples include two examples, Rochdale Boroughwide Housing in England and Methyr Valley Homes in Wales.

8.3.1 Case study 1: Common Equity Housing Ltd (Australia)

About us

Common Equity Housing Limited (CEHL) was formed in 1987 during a period of experimentation in social housing in Victoria. It is registered federally as a company limited by guarantee, and provides administrative support to over 100 housing co-operatives in Victoria. Each housing co-operative collectively gets one vote as part of CEHL, and in that sense, it operates as an enterprise co-operative. CEHL seeks to ensure each co-operative has the capacity to manage its own affairs democratically, building a bottom-up structure.



At the local level, each co-operative that is part of CEHL can opt for different levels of self-management (the CERC model or CMC model). Generally, tenants in CEHL co-operatives are responsible for collecting their own rent, arranging maintenance and selecting new tenants. Tenants benefit from lower rent and administrative costs and managerial experience.

What we do

Alongside providing support to over one hundred housing co-operatives, CEHL also engages in new co-operative housing projects, often with a focus on mixed developments that provide housing for rural communities, people with disability, or disadvantaged people.

Some recent projects include:

- Lakewood, Ringwood. Eighty apartments for low and moderate income earners. Demonstrated social benefit from investment of \$4 for every \$1.
- Gipps St, Abbotsford. An award-winning mixed development, including 6 apartments purchased by TAC and the Summer Foundation for people with disability.
- St Marys, Geelong. A current mixed development of 193 private and social houses that will also develop public spaces.

Our difference

CEHL provides scale and administrative support for smaller housing co-operatives. Through its size and intelligent use of its finances, it has the proven ability to leverage its existing holdings to bring further benefits to current and future members in the form of housing stock

improvements and expansion. Mixed housing development is one innovative approach that brings financial benefits to commissioners and social benefits to the community, breaking down the isolation and segregation associated with traditional social housing.

It also has the resources to ensure that new co-operative can operate true to their principles. CEHL's strategy seeks to facilitate bottom-up organisation. Power to manage property is devolved to local tenants, and voice mechanisms for each co-operative are provided through voting rights.

Our impact and growth

CEHL's 52 employees oversee the co-operative management of 2,200 properties with over 5,000 tenants. CEHL has grown from overseeing 4 co-operatives in the 1980s, to over 120 today.

CEHL co-operative model leads to lower vacancy rates and greater maintenance of housing stock. A study into the social impact of Lakewood demonstrated a clear reduction in health costs, higher employment levels and increased wellbeing and confidence among tenants. These benefits flowed from these tenants having access to secure and affordable tenancy as well as opportunities to increase their confidence through self-management.

CEHL is continuing to work on strategies that deepen the participation of tenants at the local level and in CEHL as a whole.

Government has played an important role in facilitating CEHL's recent projects. The Lakewood project, for example, was the result of stimulus funding after the GFC.

8.3.2 Case Study 2: Rochdale Boroughwide Housing (UK)

About us

Rochdale Boroughwide Housing (RBH) can be traced back to 2002 when its role was to ensure all social housing was up to government standards. However, Rochdale Council was facing budgetary pressures in the 2010s and believed it would struggle to maintain housing to a decent standard into the future. As a result, in 2012, Council transferred its social housing stock to RBH, which was constituted as a multi-stakeholder mutual registered under the Co-operative and Community Benefit Societies Act 2014.

As of mid-2015, 25% of tenants and 80% of staff (around 4500 people) are members of the mutual.

What we do

RBH rents 13,500 houses across the Rochdale region and has recently integrated the Council's homeless housing service. It is the first multi-stakeholder housing mutual in Britain.

Our difference

RBH is in keeping with Rochdale's 19th century legacy as a centre for innovation in forms of co-operative ownership. RBH is striking for its multi-stakeholder structure, and its emphasis on active membership as a key strategy for long-term success of mutualised housing.



Representative elections are heavily promoted, a regular newsletter is provided online and offline and there are many opportunities for feedback from tenants and employees. To make stakeholder participation effective, RBH has opted to have a board, which is selected based on technical expertise, separate from the democratic representative body. This balances accountability and direction in accordance with community wishes with the expertise needed to implement plans.

Our impact and growth

In 2015, RBH had a turnover of £56 million and a surplus of £15 million. It has reinvested in improving housing stock, innovative technologies, developing social capital and developing management skills among tenants. RBH employed over 580 people, the bulk of whom reside in the local area.

RBH's tenant and employee satisfaction rates have been rising, as has participation in the mutual, showing that its investment in an active membership strategy is paying off. Half of all members voted in the last representative elections.

8.3.3 Case Study 3: Methyr Valley Homes

About us

On 1 May 2016, Methyr Valley Homes became Wales' first employee tenant owned housing mutual. Tenants and employees can now sign up for membership which gives them much more influence in how the organisation is run.



This follows a new policy direction for the delivery of Public Services in Wales where co-operative and mutual models are being considered as part of a wider strategy to consider alternative delivery models (ADMS). Support for housing mutuals is growing including from unions and is widely regarded as an alternative to privatization and in strengthening the supply side options for social and community housing in Wales beyond traditional housing associations. This policy direction has also aligned with government policy for Local Government to transfer government-owned social housing to the non-Government sector. The rules adopted enable tenants and employees as members to elect 8 representatives to a democratic body. This democratic body is responsible for the appointment and (if required) dismissal of the Board of non-executive directors. The separation between the democratic body and non-executive directors enables non-executive directors to be appointed by members based on their skills and experience with provision for up to 2 non-executive directors being tenants, also based on skills. Prior to the formation of the housing mutual, Methyr Valley Homes was a Housing Association. Under this arrangement, the local Council had automatic rights to appoint Directors to the Board and now this is based on elections by tenants and employees as members. This governance arrangement and the model rules uses a similar framework to what was done with Rochdale Boroughwide Housing and incorporates some features of the UK NHS Foundation Health Trusts. Under the model rules each member has one vote and owns one share in the mutual company, however this is non-distributing. Members also benefit from a benefits package

What we do

Methyr Valley Homes owns and manages 4,300 homes in Methyr which are tenanted to provide affordable quality housing in the local area. Methyr Valley Homes collects the rent and maintains the housing and re-invests surpluses to develop new housing and related services.

Our difference

The key difference for Methyr Valley Homes is that we are the first incorporated housing mutual in Wales where tenants and employees are the members and have a democratic role in decision making and ownership.

Our impact and growth

The new housing mutual formed on 1 May 2016, so it is early days, however this trend towards the mutualisation of housing as an alternative is being promoted and supported by government policy and this also positions Methyr Valley homes for more stock transfers from Local Government.

Summary of case study insights for Australia: Housing

These case studies demonstrate how UK public service reform in housing has opened up new opportunities for co-operative and mutual models. They also show the importance of understanding how to modernise the co-operative model rules to enable meaningful democratic control with measures in place for the election by members of independent skills based non-executive directors. Where service users (in this case tenants) and employees are democratically and economically engaged in decision making, evidence shows higher levels of staff and customer satisfaction and more opportunities for reinvestment of surpluses back into the community.

8.4 Education

Context

Education is a key area of public spending and investment. Diversity and choice in education provision has long been on the agenda in Australia. However, the co-operative education sector has remained small. Co-operative education providers like Tranby Aboriginal College face regulatory pressures to convert to the corporate form. In contrast, the UK has seen a 'quiet revolution' in the development of a co-operative school sector over the last 10 years.

8.4.1 Case study 1: The Schools Co-operative Society – a case study on Co-operative Trust Schools (UK)

About us

The Schools Co-operative Society (SCS) is a co-operative in its own right. This means it is based on the international co-operative values and principles that include democracy, equality, equity,



social responsibility, openness and honesty. It operates as a 'Secondary Co-operative' where its members are the members of each co-operative school in a cluster. The SCS is owned by the schools in the network, and this means it must be responsive to the needs of its members and respond to the pressing needs of the group, rather than minority concerns of a certain individual.

Co-operative trust schools emerged out of education reforms in the United Kingdom in 2006. More power was devolved to individual schools that adopted a trust model; the trust acquires the school land and assets from the local authority. Under the trust model, schools arrange their own hiring and admission processes within the minimum national regulatory framework.⁵⁸ Trust schools are government funded, but have the capacity to attract more resources from the community and business through the trust. In 2011, further reforms made complete separation from the local authority possible (academies). In both cases, a co-operative model has been one of the models adopted.

Co-operative trust schools are multi-stakeholder, giving voice to parents, staff, students and the wider community. Additionally, some co-operative trust schools operate within larger enterprise co-operatives or local partnerships that pool resources and knowledge. A national peak body, the Schools Co-operative Society, is also organized along co-operative lines.

What we do

Co-operative trust schools are education providers at every level and in many specialist areas. Co-operative trust schools work closely with all stakeholders, and develop partnerships with local community and local businesses, including local co-operatives and mutuals.

Our difference

The advantages of co-operative schools are⁵⁹:

- Good and sustainable school improvement
- The network of co-operative trust schools varies in number and location and this has the advantage of being able to connect schools with others removed from their local area to provide support
- Because the members of each co-operative trust school are parents, students, community members and staff, the school connects the community and provides a co-ordinated support network so people can learn from each other
- National education providers are starting to work with the SCS because they recognise the value of the model
- Teachers are the biggest asset to a school and the co-operative model enabled by the SCS enables them to network and learn from each other.

Co-operative trust schools vary as much as traditional schools. However, all co-operative schools adopt the international co-operative principles. As such, they emphasise multi-stakeholder democracy and co-operation both in the formation of strategy for the school and in everyday pedagogical approaches in the classroom. The co-operative school gives students the chance to participate in management alongside parents and staff, increasing their confidence.

At Da Vinci College, for example, students are given the opportunity to run a company together

⁵⁸ <https://www.theguardian.com/education/2007/feb/09/schools.uk2>

⁵⁹ Boston, Dave The Schools Co-operative Society: A co-operative of co-operatives page 183 in ResPublica Making It Mutual: The ownership revolution that Britain needs edited by Caroline Julian

with a budget for pastoral projects, increasing their capacity to manage and lead. At Burnt Mill, the library has been handed over to the students to run, leading to increased reading levels.⁶⁰

Our impact and growth

The growth of co-operative schools in the UK has been rapid in the past ten years. There are now over 800 co-operative schools around the UK. Co-operative schools have tended to develop in clusters, one being Cornwall.

The CSC now has established a regional network based on six sectors of the country. There are now a number of large regional co-operative trust schools who are members of the SCS.

Cressex Community School is one example. 80% of its students are from ethnic minorities while more than half come from socioeconomically disadvantaged areas.⁶¹ Since moving to the co-operative trust model, Cressex has recorded its best exam results ever. Co-operative principles can unlock the potential of students and communities and break down complex, seemingly intractable disadvantage.

The financial impact of co-operative trust schools has yet to be studied in detail. However, their rapid expansion suggests it is a sustainable alternative to private ownership and public provision.

8.4.2 Case Study 2: Co-operative College (UK)

About us

Co-operative College is an educational charity that promotes co-operative values in co-operatives and wider society. The College was founded in 1919 by the Co-operative Union. The College has recently moved to an organisational form that blends a charity and co-operative membership-based form.⁶² The new structure had its first AGM in May 2016 and will facilitate individual and co-operative membership.



What we do

The Co-operative College provides education and training for co-operatives, undertakes research into contemporary and historical matters relating to co-operatives, supports international co-operative development, and supports reforms to education along co-operative lines. The latter role has been particularly important recently with the growth of co-operative trusts and academy schools. Schools moving to this model can look to the Co-operative College for guidance and expertise in setting up a co-operative that reflects community needs.

Our difference

A key barrier for the implementation of co-operatives and mutuals in new sectors or organisations is the capacity of stakeholders to practice self-help and mutual aid. Co-operative College provides the expertise and educational support to ensure members of co-operatives

⁶⁰ Examples from <http://stories.coop/wp-content/uploads/2014/10/Cooperative-schools-in-UK-case-study.pdf>, 9.

⁶¹ <http://stories.coop/wp-content/uploads/2014/10/Cooperative-schools-in-UK-case-study.pdf>, 14.

⁶² <https://www.co-op.ac.uk/2015/05/college-charitable-incorporated-organisation/>

and mutuals can make the most of the comparative advantages of these organisational forms.⁶³

Our impact and growth

Co-operative College has a long history in the co-operative movement in the UK. Recently, it has played an important role in fostering co-operative schools.

The move to a membership form of organization is designed to make the Co-operative College more responsive to the diversity of co-operatives around the UK and to build collaboration with Co-operatives UK.

Summary of case study insights for Australia: Education

Co-operative Trust Schools are an alternative to public service provision and private ownership. They enable self help and participation in school governance and connect the school deeply in building strong communities through the multi-stakeholder membership and ownership model:

- Clusters of organisations are more effective, secondary co-op model works for this.
- Co-operatives are ideal for a school setting because of complexity (relational approach)⁶⁴, natural links (that are often untapped) to broader community of schools make a multi-stakeholder model productive, demonstrated results in disadvantaged areas (though more research is needed).
- In the UK, institutional support from government and the Co-operative College is important in the early stages – people need help to start co-operating.
- In contrast, Tranby Aboriginal College in Australia is facing legal and regulatory barriers to remain as a co-operative school.

These case studies should also be cross referenced to an Australian case study on co-operative or mutual ownership in education through Tranby National Indigenous Adult Education and Training [website](#).

8.5 Transport and mobility

Context

Transport and mobility is an important enabler of independence and wellbeing for all Australians. When people can't get around easily, they become isolated. Apart from the personal costs associated with loss of emotional wellbeing, social isolation has been shown to incur considerable cost to the Australian economy especially in health and income support (Grattan Institute 2014).⁶⁵ Transport and mobility is an important part of the Human Services ecosystem in Australia, especially for people who are transport disadvantaged and excluded from using mainstream transport. With the ageing of the population and increased rates of

⁶³ <https://www.co-op.ac.uk/our-work/co-operative-learning/training-for-co-operatives/courses/>

⁶⁴ Education was an area recommended for a multi-stakeholder approach in this report: <http://www.opm.co.uk/wp-content/uploads/2014/01/New-models-of-public-service-ownership.pdf>, 4.

⁶⁵ Grattan Institute (2012) Social Cities [website](#)

disability and chronic disease, this is now a very significant and growing cohort.

8.5.1 Case study 1: Community Care and Transport Co-operative Ltd. (Australia)

About us

The Community Care and Transport Co-operative (CCAT) was registered in September 2015 under the (NSW) National Co-operative Law. Members of the co-op are 3 founding community transport organisations (CTOs) – GREAT community transport, Bankstown Canterbury Community Transport (BCCT) and Community Wheels (CW). All operate in western and north-western Sydney. The 3 CTO's formed the enterprise co-operative to enable them to share back-office functions and modernise their governance and operations in a new consumer-directed funding environment where it seems likely they will no longer be able to rely on block funding from government. Their strategy is to significantly grow the membership to enable them to achieve this modernisation so they can provide a much wider range of transport and mobility services and social support.



The condition of their registration as a co-operative without share capital is that they must have 2 additional members within 12 months of registration. CCAT has established a founding board from existing members and is currently recruiting independent non-executive directors. A substantial co-operative development plan was prepared which was facilitated by the BCCM and EY, assisted with funding from Transport for NSW and investment in kind from each of the CTOs.

The primary objective underling the formation of CCAT was to enable each CTO member to benefit from the scale of co-operating and sharing back office infrastructure and services enabling them to deliver frontline services, including supporting each other, in their local communities.

Each of the CTOs had explored different ways of achieving scale including mergers and decided a co-operative was more aligned to their values and desire to eventually operate as a social enterprise.

The CCAT co-operative also formed at a time when the NSW Government was introducing contestability in contracts for buses both in metro and regional areas of NSW. Most regional areas of NSW have a very high proportion on older people. Many of these people are transport disadvantaged with very limited choice and long distances involved between destinations. The coincidence of contestability and the introduction of direct payments in the NDIS and potential loss of block funding for community transport creates great potential for the emergence of a modernised social enterprise to transport and mobility, especially in regional and rural areas.

Another important context for the formation of the CCAT co-op was that each CTO member had either reached or was close to reaching the \$2m revenue threshold at which time they would have been required to change their corporate structure from an Incorporated Association. The alternative to a co-operative option was a Company limited by Guarantee. The BCCM played an important role in assisting the CTOs understand the benefits of the co-operative and mutual business model.

What we do

- Community transport
- Individual transport
- Group transport
- Social support

Our difference

The CCAT regards transport as a means of enabling people to be socially connected. An important difference for them, compared to other community and transport providers, is to enable social support and connection through the provision of transport and mobility, with a special focus on people who are vulnerable and most usually excluded from mainstream transport services.

Our impact and growth

The CCAT is in very early stages of development and its primary focus has been on business development to attract additional members. This has produced promising results with the additional 2 members secured and another 3 considering becoming members.

Securing a new IT platform that modernises trip booking, planning and scheduling was an important pre-condition to achieving the intended productivity improvements. The CCAT is currently testing with a view to rolling out a new Route Match system for this purpose.

The CCAT strategic direction is supported by a business case that demonstrated intended productivity improvements could be achieved with 10 members within 2 years of formation. These productivity improvements were estimated (under certain assumptions) in the final business case.

8.5.2 Case Study 2: Hackney Community Transport (UK)

About us

HCT Group is a social enterprise in the transport industry, safely providing over 20 million passenger trips on our buses every year. We deliver a range of transport services – from London red buses to social services transport, from school transport to Park and Ride, from community transport to education and training.



We reinvest the profits from our commercial work into further transport services or projects in the communities we serve.

What we do

HCT is an integrated transport and mobility social enterprise providing an extensive range of services in specific communities that service the needs of transport enabled and transport disadvantaged people.

- Red bus services (Government contracts)
- Other bus services
- Learning Centre

- Mini-buses for group transport
- Personalised transport
- Mini-bus driver training
- School/college transport
- Travel training
- Day centre transport
- Accessible coach hire
- Your car
- Dial a ride/accessible transport
- Park and ride
- Mobility scooters

Our difference

HCT's overarching purpose is to create community value, setting it apart from many of its competitors in commercial transport tendering. Most of the entities in the group are structured as charities, ensuring the social purpose is central to any strategic or operational considerations. Surpluses from commercial operations are reinvested into community services, meaning surpluses benefit taxpayer commissioners and local communities where HCT operates. HCT makes use of regional advisory committees and, in Jersey and Guernsey, where it now operates the public transport system, annual parish meetings, to get feedback on service and where surpluses should be reinvested.

Our impact and growth

In 2015, HCT raised £10 million investment from institutional investors and lenders, making this the largest growth capital investment in the UK impact investing sector. This deal saw collaboration between a range of social and mainstream investors including **Big Issue Invest**, **Triodos**, **FSE Group**, **Social and Sustainable Capital**, **City of London Corporation**, **Esmée Fairbairn Foundation**, **The Phone Co-op** and **HSBC**, and facilitated by impact investment bank **ClearlySo**.

HCT is now working on strategies to further integrate its commercial and community operations, blending the best insights of each.

8.5.3 Case Study 3: Modo (Canada)

About us

Modo is a car share that started in 1997 in Vancouver with two cars and 16 members. It was inspired by a university thesis on how to get more people to share fewer cars.

Modo is a registered not for profit consumer co-operative. Membership has developed to be open to both natural persons and entities; however, the one member one vote principle is strictly adhered to. Where possible, procurement is from local businesses to support the local economy.



What we do

Modo members can rent cars at a rate of \$4/hour or a maximum of \$40/day, booked through

the website or the mobile app. The fleet has a diverse range of vehicles.

Members can sign up on a monthly basis or by purchase of a \$500 share.

Our difference

Customer ownership. The business is aligned with the interests of customers, working to keep prices low and improve services from surpluses.

Our impact and growth

From its initial aim of sharing two cars between 16 people, Modo has grown to service over 17,000 members with 500 vehicles. Modo has estimated that each vehicle in their fleet replaces nine privately owned vehicles.

Aside from the environmental benefits of car sharing, Modo also allows its individual members to save money through pooling their resources. For many members, Modo has allowed them to meet their transport needs without privately owning a car – a big saving in anyone’s household budget. As a co-operative, profits are reinvested into the long-term future of the business, a recent example being the development of the ordering app that will keep Modo competitive and efficient.

Car sharing is a competitive market, that is becoming more competitive with digital platforms making it easier for people to pool resources. Modo is keeping up by developing its own app.

Summary of case study insights for Australia: Transport and mobility

There is much to be learned from the international examples especially the Hackney Community Transport Group. This case study is particularly relevant to the Productivity Commission Inquiry into increasing competition, contestability and informed user choice in transport, which is vital for people to be able to get around, be independent and socially connected. Considered alongside the Australian case study (CCAT), The HCT case study shows a vision and clear purpose for how a social enterprise, operating as a co-operative, could provide choice in the market, especially in thin markets like rural and regional areas of Australia. The HCT case study also shows the importance of locally “place based” solutions and how this can add diversity to markets. The Modo example demonstrates how car sharing through a co-operative social enterprise gives people choice about how they get around and at an affordable price that is also environmentally sustainable. The Modo case study could easily be integrated into the HCT business model and presents exciting business opportunities for mutuals whose core business is about motoring, transportation and including suppliers to those industries. Harnessing these synergies requires business development and time to enable increased user choice that can come by having new entrants in a contested market.

The final insight on these case studies is to observe that the international case studies, because they are operating a mutual business model, reinvest surpluses back into having a social impact and member benefit.

8.6 Home Care and Social Support

Context

Home care and social support will be an increasingly important sector given Australia's ageing population and historic investment in people with disability through the NDIS. Reforms away from block funding to consumer directed care and individualised budgets, will have a significant impact on the provision of social care, with the emergence of new business models and ownership forms emerging.

International case studies in this area show a similar trajectory to Australia: a high-labour, low-skill industry suffering high employee turnover and complaints of poor quality service from clients.⁶⁶ Mutuals and co-operatives from the UK, the US and Australia (whilst at early stages) show the ability to compete and scale in the care sector, disrupting the status quo with higher quality services, higher customer satisfaction and better jobs with higher employee retention.

The mutualisation agenda in the UK also demonstrates opportunities for integrated health and social care co-operatives including NHS Foundation Primary Care Trusts⁶⁷ and social businesses to form mostly as worker and multi-stakeholder co-operatives.

8.6.1 Case study 1: Co-operative Home Care (Australia)

About us

Co-operative Home Care (CHC) is committed to creating long-lasting change in the aged care and disability service delivery sectors in Australia. This is a worker-owned co-operative that began operating in suburban Sydney in 2013. It is registered as a non-trading co-operative without shares under the Co-operatives Act 1992 (NSW). CHC wants to see positive change in the lives of individuals and families who need support, regardless of their age and personal circumstances.



What we do

CHC provides in-home care and support to people who want to live independently in the community. CHC has recently received start-up funding through the NAB Foundation to establish local wellbeing centres and they are collaborating with a significant Job Active provider to extend their worker-ownership model by creating good jobs with training support for people needing a job and currently on welfare benefits.

Our difference

As a worker co-operative, the members are CHC workers. CHC believes this ownership form is an important difference that enables them to create long term change in the culture of how home care services operate in disability and aged care and create more meaningful jobs for people in the caring industry.

⁶⁶ <http://www.theage.com.au/comment/the-aged-care-gravy-train-20160108-gm1y33.html>

⁶⁷ Mills, Ciiff and Brophy, Chris (October 2011) Community Health Services: Made Mutual for Mutuo

A key problem in the social care sector, including aged care and disability services, has been low staff morale, which contributes to poor quality service. Investing heavily in training and giving workers a real stake in the business has been found to result in increased employee engagement, fewer sick days and lower turnover. Reducing turnover allows CHC to ensure longer term relationships are developed between the carer and customers.

Our impact and growth

CHC is well placed to respond to the changes in home care from February 2017 when home care packages become fully portable with the person receiving them, changes away from block funding in what was the Home and Community Care program, and the introduction of portable individualised budgets in the NDIS.

In 2014/2015, CHC delivered up to 500 hours of care a week, reported an income of nearly \$650,000 (up from slightly over \$200,000 in 2013/2014) and invested over \$24,000 into employee training. As CHC continues to grow, it will bring diversity to the aged care and disability services sector and improve quality and user choice at the same time.

CHC is planning to develop a social audit so that the impact of its model of care provision can be further evaluated.

8.6.2 Case Study 2: Sunderland Home Care Association & Care and Share Associates (CASA) (UK)

About us

Sunderland Home Care Associates (SHCA) began life as Little Women Ltd in 1976, operating from a general dealer's shop in Sunderland. It was run by 7 women who co-operated to do all aspects of the service. This co-operative model was found to be very successful and when the shop was sold in 1980, its successor was Little Women Household Services, established in 1983 as a worker's co-operative. Due to various policy changes, Sunderland Home Care Associates formed in 1994 from Little Women Household Services, however it formed as a fully employee-owned organization, rather than a co-operative. There were 2 reasons for this: tax efficiencies and an improved way to reward workers through better pay and conditions, as each worker owned shares bringing 'nest-egg' benefits to them they could otherwise not get in a co-operative model. Like its predecessor, with the worker co-operative, Sunderland achieved higher quality services, lower turnover of staff, higher loyalty and reduced sick leave compared to other ownership models.

Sunderland has diversified to other revenue streams including tenders to the local Council, operating Café on the Park and mentoring to Sunderland colleges.

Following success of Sunderland, Care and Share Associates (CASA) was formed using the employee ownership model however operating as a franchise. The overall vision of CASA is to democratise home care across the North of England where it primarily operates.

CASA delivers high quality health and social care to people in their home. Set up in 2004, CASA was created as a social business. The founders wanted the people CASA cares for to get a great service and also wanted its workforce to prosper. They call this CASA's mutual benefit.



CASA also provides back office and planning support to local employee-owned franchises across Northern England.⁶⁸

What we do

CASA and SHA provide in-home care services that aim to keep individuals living independently. The companies have diversified into disability services, such as note taking at universities and support at university accommodation. SHA has also begun supporting the development of microenterprises by its clients and runs a café employing people with learning disabilities.

Our difference

The effectiveness and difference of the employee ownership model has been demonstrated through case studies like Sunderland and CASA in improved business performance and growth, increased economic resilience, greater employee engagement, driving innovation, enhanced employee wellbeing and reduced absenteeism. This has all contributed to high quality services and community prosperity.

A standout factor in SHA and CASA's steady growth has been their ability to modify the business structure over time while staying true to the principle of mutuality. For example, CASA's structure was chosen so that it can compete for large care contracts on behalf of local franchises. Employee ownership ensures that the long-term interests of employees and customers remain aligned: surpluses are invested into measures that improve client service and distribution to employees.

Our impact and growth

In 2014, 20 years on from SHA's formation, the combined CASA and SHA enterprises had 450 employees working 10,000 hours per week. CASA and SHA have a low employee turnover rate of just 5% compared to the industry average of 20%. This allows for quality relationships to develop between client and carer.

Alongside its impact for clients, CASA and SHA provide stable, decently paid employment with investment in training in economically disadvantaged regions of England.

CASA has commenced operating in Australia.

8.6.3 Case Study 3: Co-op Home Care Associates (US)

About us

Co-op Home Care Associates (CHCA) is committed to delivering quality care by creating quality jobs. They are recognised as the leading home care worker co-operative in the US. CHCA has around 875 workers who are owners of the co-operative, making it the largest worker co-operative in the US. They opened in the 1980's in the economically deprived areas in the Bronx.



⁶⁸ https://www.uk.coop/sites/default/files/uploads/attachments/social_co-operatives_report1_0.pdf, 37.

What we do

CHCA is a licensed home care agency that provides high-quality, reliable services to clients who are elderly, chronically ill, or living with disabilities. CHCA provides services throughout Manhattan, Queens, Brooklyn and the Bronx.

Our difference

Michael Elsas, long-time President of CHCA, said "[my job interview] was horrifying for me... After 25 years in the home care industry, it was the first time I was interviewed for a job by home care workers. I didn't know how to act."⁶⁹

As a co-operative, CHCA is able to look long-term. It invests its surpluses in intensive training for workers, while keeping senior management salaries 2.5 times below the industry average in New York State. It also endeavours to raise wages as much as possible and actively encourages worker membership through a payroll deduction service. Opportunities to participate in management and career progression are additional benefits for many workers. These policies result in reduced turnover and higher quality and more personalised service for clients. Turnover rates in the US are 40% industry-wide, and 15% in CHCA.

CHCA promote this ownership form where the workers are also the owners by saying this helps them deliver quality care by creating quality jobs.

Our impact and growth

CHCA now has over 2000 employees, mostly women, and has an affiliate organisation in Philadelphia and a dedicated training organisation that trains 450 people every year. It is the first home care provider to earn B Corp status.

It has been difficult to replicate the model in the US due to lowering of the reimbursement rate for non-nursing services, which has reduced funds available to state governments to support these services. These funding changes have also placed downward pressure on the pay for these workers and straining the business model of start up co-operatives. However, of note, CHCA lobbied for an increase to the minimum wage in the industry in New York State. The CHCA worker ownership model is also noteworthy given the challenge of building active membership, particularly amongst vulnerable workers.

8.6.4 Case Study 4: Shared Lives Plus

About us

Shared Lives Plus is part of a national Homeshare scheme that operates across the UK with over 150 schemes. The idea is that someone who needs a small amount of help to live independently in their own home is matched with someone who has a housing need and can provide support or companionship. Local Homeshare schemes can be run by Local Councils, charities as well as member-owned social enterprises. Each has around 8 people supported in their local scheme.



Homeshare schemes arrange the matching process between the 'Householder', who typically owns their home but has developed some support needs or has become isolated or anxious

⁶⁹ <http://www.fastcoexist.com/3049930/solving-inequality/inside-americas-largest-worker-run-business>

about living alone, with the ‘Homesharer’, typically a younger student or key public service worker who cannot afford housing.

Usually no rent is charged, but the household bills are shared, and in return the Homesharer will help out around the house, for example by cooking meals, running errands, shopping trips and providing company. Homeshare works because a new relationship, designed to bring benefits to both people, is balanced with clarity and safeguards to protect everyone.

The Home share schemes are all registered with the Care Quality Commission and inspected by them.

What we do

In addition to the home share scheme, these services are provided:

- Short breaks and holidays
- Older people and specialist dementia support
- Respite
- Family carer support programs

Our difference

- Locally based
- Mutual self help by matching people who have shared yet different needs
- Affordable
- Potential for intergenerational support

Our impact and growth

The family-based Shared Lives model has been shown to be expanding and developing rapidly, and offering potential to save the public purse.

*The State of Shared Lives in England 2016*⁷⁰ *The Report* shows that the Shared Lives approach has already grown by 27% in two years, and has the potential to save over £500m in the current public service spending review period.

Over the same 2-year period the wider social care sector has contracted by 7%. The NHS has launched a £1.75 million investment in the service and this could see a targeted expansion of the service from 11,570 people now to 37,113.

Summary of case study insights for Australia: Home care and social support

This is a diverse collection of self-help, employee ownership and co-operative ownership forms, all designed to demonstrate the value of people helping each other, the importance of quality relationships and the demonstrated benefits of workers being economically engaged as owners and/or members of a co-operative.^{71,72,73}

⁷⁰ Shared Lives Plus (2016) *The State of Shared Lives in England: Report 2016*

⁷¹ Wheatcroft, David (2007) *Caring and Sharing: The Co-Owned Route to Better Care*.

⁷² Muir, Rick and Parker, Imogen (2014) *Many to Many: How the Relational State Will Transform Public Services* in IPPR page 3

⁷³ Fox, Alex (2013) *Putting People into Personalisation: Relational Approaches to Social Care and Housing* in Res Publica Green Paper, produced

The workforce challenges in aged care and disability services are significant so each of these case studies has relevance for how to create rewarding jobs where workers feel a sense of pride in the quality of service they deliver and are able to establish more consistent one on one relationships with their customers.

The CASA and Shine model also demonstrate how shared value can be demonstrated in job creation through starting new social businesses such as Café in the Park (see also Nundah case study in disability case studies) and the shared mutual benefit that occurs when someone looking for care and also a home owner, connects with someone who needs affordable accommodation and is also able to provide some in-home support and companionship.

As human services like aged care and disability services become more contested with increased user choice and control, these new business models and ownership forms will create diversity and competition in the market and greater choice for consumers.

8.7 Collaborative digital platforms

Context

The private sector has dominated digital platforms that enable collaborative peer to peer sharing. The opportunity for social enterprises is to develop these platforms so they are member-owned and where people as members benefit from its growth and financial success. These co-operative owned platforms also enable the creation of better jobs especially for growing numbers of casualised and contract workers.

Co-operative business models like Loconomics and Fairmondo are decentralized and networked, undermining traditional centralised business models. This makes them more tailored to the individual needs of service users and create a local trusted platform for self-help and mutual aid in local communities.

A co-operative shared ownership of digital platforms that enable collaborative sharing overcome the shortcomings of privately owned models which tend to be concentrated on centralist control, profits benefiting often small numbers of owners and shareholders, overpaid senior management and investor ownership.

8.7.1 Case study 1: Loconomics Co-operative

About us

Loconomics is one of the first generation of starts up to take on the big players in the “sharing economy.” A major criticism of sharing platforms like Task Rabbit is that they have led to poor pay and conditions for those completing tasks, while owners of the platform enjoy immense profits.



for Hanover Housing's 50th anniversary debate.

Formed in 2014, Loconomics is a digital marketplace owned by service professionals and headed by entrepreneur Josh Danielson. Currently in beta testing, when it launches later this year Loconomics will aim to build on the advantages of platforms like Uber and Task Rabbit while using a co-operative legal structure to ensure these advantages flow to service provider-members.

Loconomics is a distributing co-operative under Californian law, meaning it will have the flexibility to distribute profits to the service provider-members or reinvest them into the platform.

What we do

Loconomics will provide a platform, a digital marketplace, where service professionals can provide services to clients.

Our difference

Unlike well-known platforms like Task Rabbit, Loconomics will be producer owned. This will ensure the platform is primarily for the benefit of market participants. Professionals will retain a voice over what they want the platform to do.

Our impact and growth

Loconomics is currently in beta testing and set to launch later this year. The challenge for Loconomics will be to gain access to capital that allows it to scale quickly.

8.7.2 Case Study 2: Fairmondo Co-operative

About us

Fairmondo started in Germany in 2012 as a democratic and transparent alternative to the giants of online trading, EBay and Amazon. It is a distributing, multi-stakeholder co-operative.



What we do

Fairmondo operates like EBay. Buyers and sellers can use the platform to transact, and ethical trade is encouraged. Currently the largest market is in books.

Profits are distributed proportionally between those who invest in Fairmondo; however, voting in the General Assembly is “one member one vote”. Membership is open to anyone, but investment is limited to €25,000 per person. As Fairmondo expands to different countries it hopes to operate internationally as an enterprise co-operative.

Our difference

Fairmondo has a clear ethical purpose and has used the democratic features of the co-operative structure to ensure this purpose is maintained as it grows.

Our impact and growth

In Germany, Fairmondo has 2000 shareholders who have contributed between €10 and €10,000. Its market for books has over 1.5 million items. Fairmondo UK is in development.

A barrier for Fairmondo, like Loconomics, will be balancing access to capital and scale with maintenance of its purpose.

Summary of case study insights for Australia: Collaborative digital platforms

Not for profit and co-operative platforms are in their early stages but show huge potential. They have the potential to be used to ensure personalised budgets, choice and competition bring benefits to individual consumers and service providers. Doing this well requires information and the design of the customer experience to be led by service users. Whilst well intended, generally speaking, government sponsored and owned websites and portals used as Gateways to human services such as MyAgedCare tend to be designed from a funder and provider's perspective.

Well-designed service-user led websites operated through a shared ownership structure that is independent of commissioning and service provision also helps address the asymmetry in information that exists in human services where funders and commissioners have access to more information tailored to their needs than service-users.

Another important insight is to note the emergence, especially through UK Local Councils of e-commerce social care marketplaces.⁷⁴ These have an important role in empowering the users of social care services to self-manage and choose services from a suite of options and pay for them using their direct budgets. Next generation social care e-marketplaces. There are no examples of these social care e-marketplaces that are community owned and user-led.

There are emerging new business models that use digital platforms to enable people looking for care to connect directly with careworkers Better Caring, Careseekers and Air Tasker. In the case of Careseekers, one of Australia's largest mutuals, NRMA Motoring and Services invested in this start-up business as a way to help its 1.4m+ ageing members and their families connect directly with carers. These platforms have significant potential to change the relationship that service users have with service providers. Co-operative ownership of such platforms where consumers and workers are the members has potential to significantly empower consumers with increased user choice and control while creating opportunities for better paid and more meaningful jobs.

Government can play a role in enabling digital platform co-operatives to flourish by providing start up support and access to capital as part of a co-financed co-operative development initiative with interested co-operatives and mutuals in Australia.

8.8 Integrated Health, Wellbeing and Social Care

Context

This collection of case studies demonstrates the potential for CMEs in Australia whose core business is in health or related areas, to become more integrated across a wide range of community health and social care services. Of particular interest is that two of these case

⁷⁴ Roberts, Carys (2015) *Next generation Social Care E-Marketplaces in empowering care users and transforming services*. UK Institute of Public Policy Research

studies – the Care Plus Group and Your healthcare – were formed as NHS Foundation Trusts, specialising in community health and social care. Each of these organisations was formed as a result of the UK Government’s Public Service Mutuals agenda that enabled public servants through a “Right to Request” to spin out from Government to form these new companies.

8.8.1 Case study 1: Australian Unity (Australia)

About us

Australian Unity is a national healthcare, financial services, and independent and assisted living organization, providing services to almost one million customers, including 300,000 members nationwide.



Australian Unity is the oldest mutual business in Australia with 175 years of history. Its antecedent mutual, Manchester Unity was formed in the spirit of self-help and mutual aid, at a time when the role of government in welfare and social provision was much less than today. Australian Unity was formed more recently when a number of older mutuals came together. While its primary business activities started with health insurance and this remains its core business, Australian Unity now provides a diversified range of services that aim to increase the wellbeing of its Members and the customers it serves.

Australian Unity is registered as a public company.

What we do

As a mutual company with a 175 year history,⁷⁵ Australian Unity has developed a strong focus on taking care of Members.

This purpose was forged in previous centuries when governments did not provide the social and welfare services that many Australians now take for granted.

Today, the nation is facing increasing pressures from an ageing population. Australians are faced with new challenges. These include creating financial security in an increasingly uncertain economic environment, dealing with the rise of chronic diseases, and finding a secure and healthy life in retirement.

Australian Unity is uniquely placed to help Australians deal with these challenges. 175 years on, it is a diversified group of businesses offering healthcare, financial services and retirement services. Australian Unity employs more than 2,000 staff in various locations across Victoria, New South Wales, South Australia and Queensland. The products and services provided are designed to enable Members and customers to achieve a sense of wellbeing. Over 15 years, Australian Unity has invested with Deakin University to develop an index to measure wellbeing, known as the Australian Unity Wellbeing Index.

Over the years, Australian Unity has traditionally focused on health insurance however, reflecting the changing needs of its Members and responding to new business opportunities, it has diversified into Financial services; Assisted Living, Retirement Communities and Aged Care; the NDIS and disability services; Dental Centres; and Health and Wellbeing Services.

⁷⁵ McDermott, Alex *“Of no personal influence...How people of common enterprise unexpectedly shaped Australia”* published by Australian Unity to celebrate 175-years.

Our difference

Australian Unity says that what unites all its service offerings together is the aim of increasing its Members and customers' sense of wellbeing.

Australian Unity has the scale, experience and diversity across its businesses to offer integrated, customer-focused health and social services. As a mutual, it can invest surpluses for long-term improvement of services or to fund business expansion that is in the interest of its Members and customers rather than investors.

Our impact and growth

Australian Unity now provides healthcare, financial services, retirement services and aged care services to almost one million people in Australia.

In 2015, Australian Unity won the right to acquire the Home Care Service of NSW, one of Australia's largest home care services, with 4,000 employees and 50,000 customers. This business opportunity was part of a transfer of function from the NSW Government to the non-government sector, done in preparation for the NDIS, when the government would no longer be providing direct services. A competitive expression of interest and tender was held and Australian Unity won the right to acquire the Home Care Service for a reported \$114 million.

Before this acquisition, Australian Unity employed 2,000 staff in various locations across Victoria, New South Wales, South Australia and Queensland.

Remedy Healthcare is another area of recent growth, providing health coaching and self-management programs that help people avoid time in hospital.

8.8.2 Case Study 2: HCF (Australia)

About us

HCF started in New South Wales in 1932 as a non-profit member benefit entity. Like Australian Unity, it emerged in an era before universal healthcare, when people co-operated to ensure everyone had healthcare. HCF has remained a not-for-profit company up to today.



What we do

The mission of HCF is "To Build a Healthier Australia".

They do this through a focus on providing health insurance, along with a range of other health and wellbeing services and insurance products. Some of the products and services provided by the HCF Group are:

- My Health Guardian – for chronic disease management
- My Global Specialist – offers free second opinions from leading experts
- Healthy Weight for life – weight loss programs targeted to people with Type 2 Diabetes, heart conditions and osteoarthritis
- My Helping Hand – 24/7 telephone support for members with mental health conditions
- Apps – to help members manage their membership, quit smoking, and get fitter

- In branch health checks
- More for You – no gap extra services including Physiotherapy, Dental and Optical
- Access to health and wellbeing services such as Quit Smoking and swimming lessons.

HCF has also launched:

- The HCF Research Foundation
- HCF Catalyst – an accelerator that helps turn health technology start-ups into viable businesses.

HCF is registered under the Corporations Act 2011 as a public company limited by guarantee. It is also registered under the Private Health Insurance Act 2007 as a private health insurer. The Company has no share capital and as such, no shareholders.

Our difference

A strong focus on the HCF website is its difference as operating as a not-for-profit business. In 2015, HCF says this meant 90.4 cents in every dollar paid in premiums goes back into Member benefits. This focus on Member benefit has been constant throughout its history. It consistently returns contributions as benefits to its members at a higher rate than its competitors in the Australian context. HCF's Research Foundation and Catalyst (a health business accelerator) show the role it can play in broader health outcomes in the public interest.

Our impact and growth

HCF has almost 700,000 health insurance policyholders, protecting 1.5 million people. Peer-reviewed research has shown that the move into chronic disease management has been a huge success in terms of reducing days in hospital. In contrast with for profit insurers, HCF has invested in less profitable solutions because it is in the interests of Members both financially and non-financially.

HCF adds diversity to the health insurance market, reducing the chances of market failures.

8.8.3 Case Study 3: EML

About us

EML is the only Australian worker's compensation mutual.

EML dedicates itself to helping people get their lives back on track after injury or disability. EML has delivered the highest quality of worker's compensation and related services since 1910, and today, are now a company with over 1,200 employees nationally and a major claims manager in New South Wales and South Australia, and in Victoria from 1 July 2016.

Together with our stakeholders, we consistently achieve industry-leading return-to-work outcomes.

EML has recently been awarded a tender as a new panel member for WorkSafe Victoria to manage injury insurance claims and premium collection from 1 July 2016.

This case study highlights the significant reinvestment EML makes in improving workplace



health and safety of its members including quantifying this investment over the last decade.

What we do

EML operates nationally and provides specialist services in work health, safety and disability management. EML also owns and operates a subsidiary in IT Solutions and in technical resourcing services.

EML is passionate about helping people get their lives back after suffering a workplace injury, and works together with injured workers, employers and professional specialists to achieve this.

EML is committed to:

- Listening to our stakeholders
- Communicating clearly
- Being responsive
- Doing what we say

EML sets clear service standards and continuously improves performance by valuing feedback from members and working constructively with its professional partners. EML provides training and ongoing support to its people, ensuring that they do the best job they can.

EML's service charter details its commitment to working with its members and other stakeholders.

Our difference

Australia's only mutual in the worker's compensation industry

EML is one of the oldest insurers and managers of worker's compensation in Australia, and have been helping people recover from workplace injury for over a century.

EML's ethos of being a mutual company is traced to its earliest origins, and today EML continues this tradition in achieving industry-leading return-to-work results for its employer members and helping people get their lives back. EML invests in quality and re-invests 50% of profits back into its member Benefits Program (detailed below)

Our impact and growth

EML is very proud of the re-investment it makes back into its Member Benefit Program and the industry in which it works.

EML's commitment to its members is demonstrated through the ongoing investment of 50% of profits by our members Benefits Program. In the past 10 years, EML has committed over \$45m in profits back to members through a range of thought leadership research and programs.

Some examples of this include:

- University of NSW, with a panel of experts from Griffith University, University of Melbourne, University of Sydney, University of Adelaide, Monash University, and Phoenix Australia (formerly the Australian Centre for Posttraumatic Mental Health) - Expert Guidelines: Diagnosis and Treatment of Post-Traumatic Stress Disorder in Emergency Service Workers to address the unique challenges associated with diagnosing and treating PTSD amongst emergency service workers;

- University of NSW and Fire and Rescue NSW - Resilience at Work (RAW) program research investigating the efficacy of an online resilience program to improve workers' psychological resilience to stressors in the workplace;
- University of NSW and the Black Dog Institute - Funded RESPECT research study to investigate the effectiveness of a new mental health training program for managers in NSW Fire and Rescue;
- Sydney University with a team of associate researchers from the UK, USA and Netherlands - Joint funded early intervention program called Workplace Injury Screening and Early Intervention Program (WISE) with NSW Department of Health and SICORP. A proven screening tool and intervention to reduce the likelihood of claims becoming long tail;
- Monash University and the Institute for Safety, Compensation and Recovery Research (ISCRR) - Funding to develop and assess the effectiveness of a screening tool and appropriate interventions for workers at 'high risk' of poor return to work outcomes.

As part of the Victorian WorkSafe Scheme tender which EML has just been awarded commencing from 1 July 2016, it will invest approximately \$3 million into a Young Worker Safety Strategy as part of the EML Member Benefits Program. This will be done at no cost to the Scheme, to improve health and safety outcomes for young workers for the 5 years of the contract.

Below is a summary of the scheme and clients with support and the demonstrated outcomes

Schemes and Jurisdictions	Demonstrated Outcomes
EML South Australia (SA) Managed Fund as a designated Scheme Agent (51% market share)	Better continuance rates than scheme in South Australia (RTW SA's latest publicly available performance data)
EML New South Wales (NSW) Managed Fund as a designated Scheme Agent (16% market share)	Maintaining consistently better-than-scheme liability and loss ratio results for WorkCover NSW (now icare), while simultaneously managing significant growth (EML was allocated additional market share in 2010 and 2014)
EML Treasury Managed Fund (TMF) as a designated Scheme Agent, managing portfolios for the NSW Government (NSW Ministry of Health, Police and Emergency Services, Premiers & Cabinet and Planning)	Achieving \$40.8M cumulative surplus for NSW Health Department within the TMF scheme over 5 years, with only 50% of the portfolio Prevented a \$70M deterioration in long tail duration claims for NSW Police
HEM and CEM provides worker's insurance for the hospitality industry across 1,200 venues across NSW	Awarded the 2015 small to medium sized General Insurer of the Year from the Australian Insurance Industry Awards.

Schemes and Jurisdictions	Demonstrated Outcomes
EML National Self Insurance national claims manager for Woolworths – one of the largest self-insurers operating across Australia with individual state and territory legislation. EML is also the appointed Claims Manager for George Weston Food self-insurance in Victoria	Since January 2014, we helped Woolworths achieve a \$66.7M liability release (Woolworths 2015 Annual Report)
EML Victoria Managed Fund as a designated Scheme Agent (13.5% market share)	Following a comprehensive tender process, WorkSafe appointed EML to the new insurance agent panel in April 2016.

8.8.4 Case Study 4: Care Plus (North East Lincolnshire) Ltd

About us

Care Plus Group is a fully integrated health and social care provider, which was created as an independent social enterprise under the Department of Health's "Right to Request" framework, launching on 1st July 2011. It was created on the transfer of community services out of North East Lincolnshire Care Trust Plus, and of the adult social care services which had previously been delegated to Care Trust Plus by North East Lincolnshire Council. It operates under a legal structure known as a Community Benefit Society (CBS's). CBS's are similar to co-operatives but trade to benefit the community as a whole, not just members. Care Plus is owned by its employees, with each employee having a vote. Long-time patients are also invited to become Community Members with the same voting rights as employees.



Care Plus Group serves a population of approximately 158,000 in a very densely populated but geographically isolated part of the country. The community has never recovered from the loss of its fishing industry in the late 1970's and aspiration amongst large elements of the community is poor. Very few people have the academic or economic means to leave the area but those who do, rarely return. It is 30 miles in any direction to the next acute trust and 88% of the population live within 5-mile radius of the main district hospital.

What we do

The Care Plus Group provides social and health services in North East Lincolnshire.

Its health and social care services are fully integrated and include intermediate care, community nursing, home care, specialist nursing, palliative care, transport services, wellbeing collaborations, employability, meals on wheels, day services and chlamydia screening alongside many other health and social care services. The organisation employs over 700 staff, and has an income of approximately £23 million.

Care Plus Group has a single NHS Standard Contract with a single commissioner, the Care Trust Plus, who have delegated powers to commission social care on behalf of the North East Lincolnshire Council. It is part of a cluster of 4 Primary Care Trusts (PCTs).

Our ownership and governance

Care Plus Group has an ownership and governance structure based on members, a representative body (Council of Governors) and a Board of Directors

Everybody who is employed by or carries out functions for the Group, not including volunteers or independent professional carers, is a member, unless they choose not to be. Every member holds a £1 share, and nobody may hold more than one share. The Council of Governors comprises 8 staff Governors elected by Members, 2 Local Authority Governors appointed by North East Lincolnshire Council, two GP Governors appointed by GPs, and 3 Community Governors. The Council of Governors represents Members and the wider community in the organization and is the link between the Members and Board of Directors. It also appoints and removes the chair and other non-executive directors and decides their remuneration and approves the appointment of the Managing Director by the non-executive directors, and works with the Board of Directors in preparing and approving the mission, strategy and forward plans. The Board of Directors comprises a minimum of 4 non-executive directors (one is the chair) who must be not less than half the board and executive directors, one of whom is the Chief Executive. The Board is responsible for managing the affairs of the company. There is an express prohibition on distributing profits to members and in the event of winding up, assets and accumulated profits must be transferred to another CBS.

Our difference

Care Plus offers a unique blend of co-operative and social enterprise principles and structures that balance the interests of employees, patients and the community at large. Strategically, Care Plus Group is focused on using feedback from all stakeholders to improve quality of service.

As a registered CBS the constitution of the Care Plus Group requires that profits are retained and applied to the benefit of the community.

Care Plus values

- We provide high quality services and offer value for money
- We put people at the heart of what we do
- We strive to support our staff and make them feel valued
- We work together to improve people's lives
- We support people to have the best life possible
- We aim to be green

Our impact and growth

Care Plus is the only social enterprise and care organisation with a seat on the North East Lincolnshire Council's Strategic Partnership Board. In 2014/2015 it had income of £24.5 million and had over 800 employees. In staff surveys, it has consistently ranked well above NHS averages as a place to work and a place staff would recommend to friends and family for health services.

In the last year, Care Plus has continued to grow, adding two new services, "Open Door" and Vulnerable Adults Day Services.

Care Plus Group has also moved to integrate more with other health and care providers in the local area, forming a single contracting entity with the local NHS Foundation Trust and NAViGO (mental health services). In the future, Care Plus Group has plans for out of hours GP services and a local hospice will also join the entity.

[http://www.careplusgroup.org/uploads/chronicler/document/document/48/Quality Account Final Version 2016.pdf](http://www.careplusgroup.org/uploads/chronicler/document/document/48/Quality_Account_Final_Version_2016.pdf)

8.8.5 Case Study 5: Your Healthcare Community Interest Company (CIC)

About us

Your Healthcare CIC, formerly part of NHS Kingston is a not for profit social enterprise, delivering patient-led, high quality health and social care community services for residents in Kingston & Richmond as part of the NHS family.



It began trading on 1 August 2010 as a not-for-profit social enterprise after separating from NHS Kingston as part of the Department of Health's first wave of "Right to Request" projects. It was the first in London and the second in the country to do so.

Your Health Care is an example of a specialised NHS Foundation Health Trust in community health and social care. Working as a Community Interest Company (CIC), its status allows them to invest any surplus or profit back into front line services, where it is needed most by the people served, and the community.

It has 607 staff with considerable and exclusive experience in delivering high quality community health care services to local populations.

What we do

There are a total of 38 specialist community care services listed on the Your Healthcare website.

The community health services consist of:

District Nursing, Health Visiting, School Nursing, Rehabilitation, Rapid Response Service, Continence Service, Respiratory Service, Tissue Viability & Leg Ulcer Service, Integrated Care Team, Learning Disability Services, Physiotherapy, Podiatry and Speech & Language Provision.

The Social care community services include:

- Reablement & Home Care
- Amy Woodgate House (Residential care for people with Dementia)
- Day Care Services at Raleigh House
- Shared Lives Scheme (formerly Adult Placement Scheme).

Your Healthcare currently delivers health and social care services for NHS Kingston in a contract worth over £24m a year for five years, plus it delivers learning disability services in Richmond.

Our ownership and governance

Your Healthcare has an ownership and governance structure based on members, a representative body (Council of Governors) and a Board of Directors. Membership of the company is open to staff, service users, carers and registered volunteers (Community members) and those employed on a permanent or fixed term basis (staff members).

The Council of Governors comprises 9 Community Governors who are elected by the Community Members, 4 staff Governors elected by the staff members, and up to 4 appointed Governors appointed by Appointing Organisations. The Council of Governors appoints and removes the chair and other non-executive directors, decides their remuneration, approves the appointment of the managing director by the non-executive directors, and also works with the Board of Directors in preparing and approving the mission, strategy and forward plans. Its Constitution contains an assets lock that prevents assets and accumulated surpluses being distributed to its members. The constitution also contains an express commitment that the company will retain its profits and apply them back in the community interest.

The Directors are ultimately in charge of the Company, however they are accountable to the Council of governors, and to the Members, who include both Community and Staff Members.

Our difference

Your Healthcare is committed to public purpose. All financial surpluses are re-invested back into frontline services and the local community.

Our impact and growth

In its first year of operation, it made considerable savings and was able to re-invest resources back into services including facilitating a new five-day a week primary care service in one of the Borough's most deprived communities and an extended rapid response team to prevent unnecessary hospital admissions.

In a quotation from the Company's Managing Director, Siobhan Clarke, *"There were never any doubts that we would be successful in this endeavor, and a year on, the evidence speaks for itself. We are now free from unnecessary bureaucracy. We can re-shape services according to need and re-invest financial surpluses back into the system to enhance frontline services. Our aim is to put as much tax payer's resource into frontline services as is possible to do. We have encouraged our staff to come up with creative solutions and ideas, which have already made a difference"*.⁷⁶

Summary of case study insights for Australia: Integrated Health, Wellbeing and Social Care

These case studies highlight a tradition of mutualism and Member ownership in health and health-related services by citing three Australian companies – Australian Unity, HCF and EML. Whilst each has its differences, what these case studies show is a strong history of serving Members and communities mainly through health insurance products and more recently, in a wide range of integrated health and wellbeing services.

⁷⁶ Mills, Cliff and Brophy, Chris (October 2011) Community Health Services: Made Mutual. Mutuo UK.

By way of contrast, the focus on two case studies of specialised NHS Community Health Trusts – The Care Plus Group and Your Healthcare Community – both as examples of Public Service Mutual “spin outs” from the NHS, provide examples of how the UK Government has extended the concept of mutualism as an organisational form to enable public servants to “spin out” from government positions and form new public service companies that provide integrated community health and social care. Both these case studies provide very interesting insights about the importance of integrating health and community care in one organisation and how this can help promote good health and wellbeing in communities, avoiding unnecessary use of more expensive acute services. These specialised NHS Foundation Trusts represent a very significant part of the NHS and social care ecosystem in the UK. There may be parallels for Australia to learn more about the effectiveness of these NHS Foundation Trusts in enabling greater citizen participation in health and also provide signals to some existing health mutuals in Australia about the strategic opportunities that could exist in diversifying into providing a wider range of health, wellbeing (including financial advisory services and health technology), accommodation and community support services.

For these case studies, also see Case Studies in Health for Central Surrey Health (UK) [CSH Surrey website](#) and City Health Care Partnership(UK) [CIC Health Care website](#)

8.9 Community Justice and Corrections

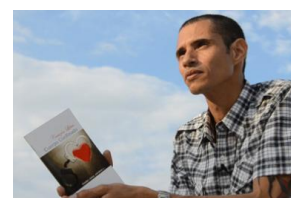
Context

The application of co-operatives and mutuals in this area of human service delivery appears to be less well developed. Mutuo UK shared some recent early development work with us, however whilst promising, this is in its infancy. Nevertheless, we considered it was important to record some case studies that illustrate the way incorporating elements of co-operatives and mutuals has potential to deliver more sustainable outcomes both for taxpayers and service users.

8.9.1 Case study 1: ARIGOS (Puerto Rico)

About us

Cooperative de Servicios ARIGOS, in Guayama Prison, was the first prisoner-run co-operative in Puerto Rico. After lobbying efforts, Puerto Rico’s co-operative law was amended to allow prisoners to run co-operatives (under the *Ley General de Sociedades Cooperativas* - General Law of Cooperative Societies) in 2003.



What we do

ARIGOS produces craft items such as models, belts and hats. Many of its items are sold through

other co-operatives or on exhibitions. The co-operative pays rent to the prison for space but most of the revenue is returned to members.

Our difference

ARIGOS is entirely prisoner-owned and controlled. It has proven an economic boon for both the prisoners, who earn more than otherwise, and for the prison in terms of rents. More importantly, ARIGOS gives prisoners managerial experience and confidence.

Our impact and growth

Recidivism among members of ARIGOS is dramatically less than for the general prison population – while the general rate is over 50%, only six members of ARIGOS have been rearrested in ten years.⁷⁷ Since its inception a number of prisoner co-operatives have developed in Puerto Rico, including the first women prisoners co-operative.⁷⁸ Outside of prison, many have gone on to start their own small business or continue to work together.

8.9.2 Case Study 2: Shine for Kids (Australia)

About us

Shine for Kids aims to prevent the adverse intergenerational impact of incarceration. Shine was founded in Sydney in 1982 in response to a report on the children of imprisoned parents.

Shine advocates for the rights of children and provides services to children of imprisoned parents - tackling poverty, family breakdown, discrimination and social or education issues in the process.



Shine is registered as a non-trading co-operative under the Co-operative Act 1992 (NSW). Membership is for workers and volunteers.

What we do

Shine's key services are:

- Child/parent activity days, in visit programs for children
- Family-friendly Child and Family Centres
- Tutors, Intensive Support, Carers Support
- Transport Services
- Mentoring for young offenders and children of imprisoned parents
- A range of programs tailored to Aboriginal and Torres Strait Islander children and parents, reflecting the disproportionate incarceration rates for Aboriginal people in Australia.

Shine also runs a café at Silverwater Correctional Complex that simultaneously supplements Shine's government funding and provides training for inmates at Silverwater.

⁷⁷ <http://www.shareable.net/blog/prisoner-run-coop-slashes-recidivism-rate-by-over-80-in-puerto-rico>

⁷⁸ See <http://www.noticel.com/noticia/158339/constituyen-primera-cooperativa-de-confinadas-tainas-coop.html>: Taínas Coop está compuesta por unas 25 mujeres internadas en la institución en mínima, mediana y máxima seguridad. [Tainas Coop is comprised of 25 female prisoners in low, medium and maximum security.]

Our difference

The co-operative model means Shine remains focused on its primary purpose of providing services and advocating for children of imprisoned parents. All staff and volunteers can be members, encouraging engagement and feedback that improves service quality. It has also expanded into social enterprises such as the café at Silverwater that creates training and employment opportunities for prisoners and ex-prisoners.

Our impact and growth

Shine has expanded from Sydney to across New South Wales, Queensland and the Australian Capital Territory, and since 2010, Victoria. 6000 people participated in its family centre sessions, drop in services, used its transport and contact services, in-visits and story time in 2015. It has 42 employees and 310 volunteers and had a revenue of \$2.6 million.

Shine relies on government funding to provide services to children of imprisoned parents. Funding changes every year. Shine has sought to offset this uncertainty through the development of independent revenue streams, especially its café.

Summary of case study insights for Australia: Community Justice and Corrections

- Worker or multi-stakeholder co-operatives involving prisoners or ex-prisoners could dramatically reduce recidivism and improve rehabilitation outcomes.
- Shine for Kids is an important existing co-operative service provider, that could develop more social enterprises that provide opportunities for prisoners.

8.10 Disability

Context

Two case studies have been prepared that demonstrate different applications of the co-operative organization form to people with disabilities. Nundah is a worker co-operative that has created sustained employment for its members who have a lived experience of disability. PaRA Co-operative is different, in that it is a consumer owned co-operative where families and staff (if they wish to do so) are members of a small co-operative providing accommodation and community support for their children who have autism.

These case studies highlight the opportunities for significant expansion of co-operatives and mutuals in the NDIS including the establishment of secondary co-operatives that support smaller specific purpose co-operatives to form and provide support that enables them to be more efficient and effective. This case study should also be read in conjunction with Australian Unity (refer case studies on Integrated Health Wellbeing and Social Care) where its recent acquisition of the Home Care Service of NSW has enabled it to diversify into disability services.

8.10.1 Case study 1: Nundah Community Enterprises Co-operative

About us

Nundah Community Enterprises Co-operative (NCEC) was established in 1998 and provides meaningful employment for people with intellectual disabilities and mental health issues in the Brisbane area. Using the co-operative model of business, the not-for-profit provides its worker members with opportunities to work in garden maintenance and catering with the support of local businesses, community and local government.

NCEC started in the north-east Brisbane region, where people with intellectual disabilities were finding it increasingly difficult to find meaningful employment following successive attempts only ending up in frustration and failure. With unemployment among persons with a disability rising, a local community organisation, Community Living Association (CLA) discussed how to create and find work that helped provide a sense of purpose, identity and dignity for this group.

The operating structure of the NCEC is focused around the involvement of NCEC's worker members wherever possible. The NCEC can be broken up into the Board, its members, the businesses and key partner organisations all working in tandem with each other.

90% of the workers at NCEC are people with disabilities and the remainder are volunteer staff and community supporters.

NCEC is a non-trading co-operative without share capital under the Co-operatives Act 1997 (Queensland).

What we do

NCEC provides meaningful jobs and traineeships for people with an intellectual disability and does this through contracts with Brisbane City Council in parks and garden maintenance and in running a local café adjacent to Nundah railway station.

Our difference

NCEC does not rely on Government funding for disability employment. This is a self sustaining business model where the strength of the model is in its member ownership and economic participation.

Our impact and growth

From this community need, in 1998, the CLA held its first meeting to set up NCEC with the employee owned co-operative established in July of the same year. Starting off as a jobs club with a couple of borrowed lawnmowers to gaining a partnership with the Brisbane City Council and opening a café and catering business, the NCEC has continued to grow since its formation.

Today, NCEC has over 20 member workers generating 5000 hours of work annually. The success of the NCEC is due to its ability to harness the different resources – financial, human and intellectual, relationship and operational. Most of these 20 workers have been productively employed on above award wages for over ten years, demonstrating a significant social and financial benefit not only in terms of avoided costs of pension payments, however more importantly, in providing sustained long term meaningful employment.

NCEC now provides consulting and advisory services to help other co-operatives to become established

Nundah's website contains some wonderful quotes that demonstrate the benefit of the model to the members involved:

"Although we are small, the knock-on effects of long term employment have been huge. Once

*our members started work they said things like, “I can sleep at night, I’m taking my mental health medication. I’ve got stuff to talk about with people, I feel I’m giving back to the community”.*⁷⁹

In 2015, NCEC won the Social Enterprise Award, sponsored through Social Traders and in 2014, it was a finalist.

8.10.2 Case Study 2: PaRA

About us

PaRA stands for Parent assisted Residential Accommodation. PaRA co-operative is a service provider that supports three young adults with autism who live in a house in Chatswood in Sydney. PaRA started through strong community networks with the Giant Steps school community and this provided an opportunity for families along with school leaders, to identify new and more effective ways of enabling their adult children to live independently.



Traditional group homes run by government and not-for-profit organisations involve minimal involvement of parents. In contrast, the PaRA approach has been operating successfully for almost 6 years. It involves parents being actively involved in the operation of the House which accommodates their adult children who suffer from autism. Parents, on behalf of their adult children, effectively determine policies and practices, appoint staff and perform hands on roles. They are the members of the co-operative along with staff employed at the house (if they choose to do so).

PaRA is a registered non-trading co-operative in NSW.

What we do

The primary aim of the co-operative is to act in the best possible interests of the residents. The members of the co-operative are the parents, staff and residents (to the extent that they can effectively participate in policy setting, governance and operation of the service). Staff membership increases work satisfaction, vocational outcomes and productivity.

Our difference

PaRA co-operative has demonstrated that family governance models can work very successfully. It also has demonstrated the improved productivity and quality that occurs when families and staff work together in the interests of the young adults living in the house.

The residents have regular contact with their family and friends. This dramatically increases the likelihood of their person-centered needs being met.

PaRA is the first family and staff governed co-operative operating in disability services in Australia.

Our impact and growth

The cost to government of the PaRA co-operative is less because there are substantial

⁷⁹ [Nundah benefits](#)

economies of scale from “pooling” individual packages and parents have their child at the family home for some time each week significantly reducing staff costs. Parents also cover many costs such as furniture and equipment at the House, personal effects of their children, medication and pocket money etc. It also means the time that parents have with the child is much less stressful than if the child lives at home full-time. It enables parents to work without being impeded by their child’s disability. Family and community volunteers also avoid costs by doing gardening and general maintenance.

PaRA is now exploring opportunities to spawn a Secondary incubator co-operative that will enable more family governed co-operatives to form and operate under the NDIS.

Summary of case study insights for Australia: Disability

There are a number of key learnings that emerge from the establishment of NCEC and PaRA.

For NCEC, this has been the importance of social procurement, balancing participation and production and the necessity of financial support. Securing the contracts with Brisbane City Council was critical to the success of the model along with the leadership of Richard Warner and and Morrie O’Connor who recognised the value of the co-operative model and have faithfully applied the co-operative principles to leadership and governance. Being part of a local community and working in partnership with that community is also a key to NCEC’s success.

In PaRA’s case, the leadership of parent, Steve Anthony has enabled the benefits of the family governance model to be effectively communicated to key people of influence in the NDIS and NDIA. The formation of PaRA was a difficult and overly administrative process, and even though supported by the BCCM, Steve and the parents found it to be difficult and somewhat bureaucratic. The drive of these families to innovate and explore how a different approach could drive improvements for their adult children, enable them to live independently whilst also producing cost savings to government, are great strengths of the model.

Both these case studies are small and raise the opportunity to consider how secondary multi-stakeholder co-operatives could support a much larger number of smaller co-operatives and this is now being explored by PaRA with support from the NDIA and a volunteer advisory board.

8.11 Aboriginal and Torres Strait Islanders

Context

Co-operatives are significant providers of human services in Aboriginal communities. The co-operative is a form of organization and ownership that facilitates legitimacy through community control and culturally appropriate service provision.

Aboriginal co-operatives have been important in providing integrated health, wellbeing, education and employment services and opportunities to Aboriginal communities. Aboriginal

communities face complex historical, social and cultural challenges that require flexible, local solutions. The important role of Aboriginal co-operatives was affirmed in a recent Senate Inquiry.⁸⁰

8.11.1 Case study 1: Dandenong and District Aborigines Co-operative Ltd (Australia)

About us

Dandenong and District Aborigines Co-operative Ltd (DDACL) started in 1975 to provide support to the local aboriginal community in southeast Melbourne, with a focus on employment and life skills. DDACL is a consumer co-operative registered under the Co-operatives Act (Vic), where active members are those who have used DDACL services in the past 12 months. DDACL reinvests all surpluses in its operations.



What we do

DDACL has developed over the years to provide a range of health, care, housing and community services including a bulk billed medical clinic, aged home care, affordable rental properties and youth group.

Our difference

A majority of employees are Aboriginal and 80% of patients at the medical clinic are Aboriginal. DDACL provides an integrated range of services for Aboriginal people. Complex problems can be tackled in a culturally sensitive manner that other service provision models would not allow.

Customer membership means that DDACL responds to community need. Currently, it has prioritised mental health.

Our impact and growth

In 2015, DDACL had revenue of \$3.5 million, \$3 million coming from government grants and the remainder from customer payments. It registered a modest surplus of \$65,000.

8.11.2 Case Study 2: Tranby National Indigenous Adult Education and Training Ltd (Australia)

About us

Tranby was formed in 1957 in Sydney to address the education needs of the Aboriginal community. It is registered under the New South Wales adoption of the National Co-operative Law as a non-distributing co-operative. Membership is open to the community at large and costs \$2.



⁸⁰ Report of the Senate Economics Reference Committee Inquiry into Cooperative, Mutual and Member-Owned Firms, 2016

What we do

Tranby currently provides accredited business management, legal advocacy, leadership and land management courses.

Our difference

Tranby is geared towards the educational success of Aboriginal students:

- Staff are all Indigenous or have a high level of experience working with Indigenous communities.
- Flights and accommodation expense are covered for non-Sydney students.
- Elder on campus to provide mentoring
- Small classes
- Alumni networks
- Pedagogical approach focuses on doing and discussion.

Our impact and growth

Tranby was the first independent Aboriginal education provider and has had an important social and political legacy for the Aboriginal community.

Tranby had revenue of \$1.5 million in 2015. It has been developing partnerships with a range of community and corporate organisations and has also been investing heavily in rebranding.

- There has been pressure on the organisation to transfer from the co-operative model to a corporation due to funding issues.⁸¹

8.11.3 Case Study 3: Rumbalara Aboriginal Co-operative Ltd. (Australia)

About us

Rumbalara was formed in 1981 to provide community controlled health services to the Aboriginal community in and around Shepparton. Shepparton is home to one of the largest Aboriginal communities in Victoria with more than 2100 people.



Rumbalara is registered as a non-trading co-operative without shares under the Co-operative Act 1996 (Vic). Membership is open to employees, consumers and the community at large.

What we do

Rumbalara provides a wide range of health, aged care and general wellbeing services. Over the years it has expanded into financial counselling, dental, traditional healing, drug and alcohol programs and housing provision. It provides a bulk billing GP service, open Monday-Friday 9-5, as well as nursing and hearing checkups.

Our difference

Membership is open to the whole community, not just patients.

⁸¹ Report of the Senate Economics Reference Committee Inquiry into Cooperative, Mutual and Member-Owned Firms, 2016, 38.

Our impact and growth

Rumbalara had revenue of \$15.5 million in 2015.

A challenge for Rumbalara is working within the current government funding arrangements. Co-operatives do not compete on a level playing field with corporations. Rumbalara also receives many small grants from different government commissioners, meaning it has many regulatory requirements to meet alongside its service delivery.

Governance is another ongoing challenge, which has been addressed by balancing expertise and community control on Rumbalara's board (currently made up of 4 community members, 3 experts in law, finance and HR). Kim Sedick, the CEO of Rumbalara, said that 'Aboriginal co-operatives are best placed to deliver services to local communities and to ensure that broader service system is actually the safety net that should be there to pick up anything we have missed...'⁸²

8.11.4 Case Study 3: The Arnhem Land Progress Aboriginal Corporation (ALPA)⁸³

About us

Darwin based, ALPA, was established in 1972 as a co-operative of community stores in Arnhem Land. Today ALPA operates in over 25 remote locations across the NT and Queensland. With a vision of "unity through enterprise" ALPA now contributes to the development of local economies and indigenous business where they operate.



Activities include: accommodation and hospitality in partnership with local families, training and employment services through the RJCP program, mechanical workshops and homelands service delivery.

ALPA's goal is to provide quality services with a commitment to local employment and training and has approximately 750 Indigenous staff across the group. We aim to enhance social and economic development wherever we operate, while continuing to embrace our cultural heritage.

ALPA is governed by an Aboriginal Board of Directors made up of representatives from its member communities, embracing the highest standards of corporate governance. It seems the original co-operative structure has been changed due to the regulatory prescriptions that organisations can't be a co-operative and receive funding from Indigenous Affairs and that ALPA is incorporated as an Aboriginal corporation and registered by the Office of the Registrar of Indigenous Corporations (ORIC).

Notwithstanding this, ALPA observes the International Co-operative Principles in its constitution because it is a benevolent corporation, and funds are returned to the community in accordance with ALPA's constitution to benefit its member communities.

The Board governs the corporations' vision, direction, policy, goals and objectives.

ALPA is financially independent and is not reliant on external funding or subsidies. ALPA self-

⁸² Senate Inquiry Submission, 63.

⁸³ This case study was assisted by a recent feature article on ALPA in the Company Director (July 2015), the monthly magazine of the Australian Institute of Company Directors [website](#)

funds business development to increase employment and improve services to the community.

What we do

Through its full self-service air conditioned stores, ALPA provides a diverse range of financial assistance for health and nutrition programs, ceremonies, education, medical escorts and community events and supplies a wide range of products in the remote communities in northern and Far North Queensland including the communities of Minjilang, Milingimbi, Galiwin'ku, Gapuwiyak and Ramingining. It also operates 13 other non-ALPA community stores in the Northern Territory on behalf of the Indigenous Corporations and Regional Councils. ALPA has an IT business, Australian Retail Technology, which provides technical support and installations to more than 65 remote sites across Australia as well as related retail, training and IT services nationwide.

Our difference

- Aboriginal owned and operated
- Entrepreneurial and operated on sound commercial basis as a social enterprise
- Incorporates co-operative principles including member-ownership, democratic decision-making and re-investment in communities
- Sustainable
- Diversified
- Able scale and service rural and remote communities
- Creates and sustains real jobs for Aboriginal people
- 50% gender diversity on the ALPA Board and all 10 directors are traditional Aboriginal people⁸⁴

Our impact and growth

44 years on, ALPA is now one of the largest financially independent Aboriginal Corporations in Australia. Having started in 1972 with 7 stores, ALPA now operates a successful retail enterprise in 25 remote locations, with a turnover of approximately \$75 million across the Group. ALPA has come a long way since its formation in 1972 - from small, counter sales stores in tin sheds, to full self-service, air-conditioned stores offering an extensive range of quality goods in remote communities.

In its 2015 Annual Report, the CEO reported ALPA had achieved its best consolidated operating profit in its history reporting a net surplus of nearly \$6.2m, 17% above the 2014 record result. This result has enabled ALPA to continue to invest in its store infrastructure, plant and equipment and support members of their communities with benevolent activities and real jobs. In 2015, ALPA reports having invested \$9m to their member communities, in capital upgrades, maintenance, local employment, benevolent programs, and community sponsorship. In 2015, ALPA has sustained 92% Aboriginal employment in its Arnhem Land stores and overall, 80% across the ALPA Group. ALPA also reports strong staff retention.

Summary of case study insights for Australia:

⁸⁴ The Company Director article quotes Board director and chair, Dr. Dijiniyini Gondarra OAM saying this gender diversity has been achieved whilst still respecting traditional Aboriginal culture where there are certain things that cannot be spoken of in front of women. He says it creates an unusual environment at this, yet it works.

Aboriginal and Torres Strait Islander Communities

- Community control is important for legitimacy and accessibility of services.
- Aboriginal social services are often addressing complex, multifaceted problems. The integrated approach of many co-operatives is well positioned to tackle these problems.
- Complexity also often demands a relational approach, which does not often emerge from more choice of for profit providers in a competitive market or from inflexible State provision of services.
- There are governance and funding barriers holding back Aboriginal co-operatives from reaching their full potential.

8.12 Summary Request for Information 4

BCCM RESPONSE TO REQUEST FOR INFORMATION 4.

The BCCM has selected some stand-out case studies covering a range of human services where co-operative and mutual business models have created a structural context for service users to be more democratically and economically engaged with the human services they receive. In the context of achieving sustainable reform of human services where service users – i.e. the citizens who use services – are at the centre of service delivery, the BCCM considers that active consideration by the Productivity Commission of the contribution of CMEs is an essential part of the reform agenda.

In other case studies there are also powerful examples of where employment opportunities have improved because workers are also owners in these social enterprises. Like the consumer owner co-operative case studies, these workers are also democratically and economically engaged in the social enterprise. Where this has occurred here in Australia, and overseas, there is evidence pointing to higher employee engagement, lower staff turnover, better and more rewarding jobs. The BCCM considers that for reform in Human Services to be effective, the Productivity Commission must consider how to meet the significant workforce challenges that have been described in other reviews by the Productivity Commission as being “problematic”.

Our final point about the importance of these case studies is that each of them demonstrates significant progress in achieving the cultural and mindset changes needed to enable human services in Australia to make the shift from a “not-for-profit” charitable ethos to a mindset that regards itself first and foremost as being a “for purpose social enterprise”. The BCCM believes this also has a lot to do with strong inclusive leadership and good governance. Some not-for-profit charitable organisations have made this shift and there are thousands more with the will to do so. The BCCM considers that embracing the mutual and co-operative regulatory framework and the 7 International Co-operative Principles will facilitate the emergence of a truly “for purpose social enterprise”, and that enabling a strong mutual and co-operative sector to emerge in human services may well assist the cultural change that is required to enable greater diversity in human service

markets.

Importantly, because a foundation principle of CMEs is to re-invest in member benefits and community, the active consideration of mutual and co-operative structures will add very important diversity into human services markets and present a viable alternative in many situations to provision of services by government and commercial businesses.

9 Scaffolding required to enable co-operatives and mutuals to compete on a level playing field

This section makes some concluding points for the Commission to consider about what scaffolding and incentives may need to be considered if we are to sustainably grow the number of co-operative and mutuals involved in human services in Australia by addressing the barriers that currently limit their ability to be competitive.

9.1 The importance of a bi-partisan approach to full implementation of the Senate Inquiry recommendations on the CME sector

The Final report and recommendations of the Senate Inquiry into Co-operative and Mutual Firms contained 17 recommendations (Appendix B). These recommendations have bipartisan support and it is vital they are fully implemented quickly. Until the funding, legal, attitudinal and knowledge barriers identified in this report are addressed, co-operatives and mutuals will not be able to realise the same potential they have in delivering a wider range of quality, accountable and responsive human services as has occurred internationally.

9.2 Other regulatory considerations

The case studies, especially those on the NHS Foundation Health Trusts involving an integrated approach to community health and social care, are worthy of further attention by the Commission. New regulations have enabled various new forms of mutual organisation to develop. This includes Community Interest Companies – CICs and the NHS Foundation Trusts.

Our work in preparing this submission highlights there are different legal forms used both in Australia and overseas, for co-operatives and mutuals. The choice of these organisation forms seems to be influenced by what is needed to achieve compliance for various programs and accountability. There is an opportunity to consider how the principles and underlying benefits of co-operative and mutual forms could be incorporated into a new organisation form, enabled by Commonwealth legislation, to enable new forms of mutualised social businesses to emerge in priority areas such as human services. The point we are making here is how to evolve the strong ethos of “not-for-profit” and charitable purpose strengthened by modernised national legislation for co-operative and mutual forms to provide a choice of organisational forms around social enterprise.

The BCCM considers the comparative advantages of co-operatives and mutuals in delivering

public services, including human services compelling.

Whilst an improvement, the Co-operative National Law falls short on two counts. First, in that it is not Commonwealth legislation, therefore requiring state and territory governments to commit to its implementation, and second, its form and how it is administered differently by States is not conducive to the kind of mutual and co-operative enterprise the BCCM envisages for providing human public services in Australia. A modernised approach is needed where membership and multi-constituency citizen participation enables accountability for outcomes, sound commercial practice and good governance to be central to the form.

The BCCM considers this is worthy of some further consideration by the Productivity Commission and could be very important if we are to get the diversity of organisation forms needed in the market that is critical to improved human services in Australia.

With the professional support of organisations like Mutuo UK, organisations like Rochdale Boroughwide Housing – RBH Group – have been helped to modernise the rules that have been used in the past to govern co-operative and mutual models. The NHS Foundation Trusts have also been significant in enabling greater citizen engagement and participation, and in fostering more integrated approaches across health and social care (see text box below).

This seems to be a good thing because when these rules are carefully considered, the practice of them provides very strong foundations for alleviating concerns some people have about the threat of privatising public services in a more contested and competitive market.

The BCCM understands every country has a unique political, economic and social context in which public policy develops. However, we consider aspects of the legal models that have been applied in the UK to foster the expansion of mutualism in the delivery of public services may have application in Australia. This could break down some of the cultural and mindset barriers that will inevitably be present as human services shifts from a model focused on providers (i.e. the trust model) to one where service users are at the centre of service delivery (i.e. informed user choice and control).

The significance of NHS Foundation Trusts in evolving mutualised models in health

The legislation enabling the establishment of NHS Foundation Trusts was passed in 2003, and was originally intended to enable high-performing trusts to gain “earned autonomy”. Since then, Foundation Trust status has become the aim of all NHS Trusts, and currently out of a total of 238 Trusts, 156 of them are Foundation Trusts.

Foundation Trusts are what are called “Public Benefit Corporations”, and their legal constitution must comply with requirements set out in Schedule 7 of the National Health Service Act 2006. These requirements are, in summary, as follows.

- Public and patient membership, open to individuals living in the region served. Staff membership is open to those employed by the Trust, or carrying out functions on its behalf
- A council of governors, a majority of whom are elected by public and patient members, not less than three are to be elected by staff, and others may be appointed by specified bodies which must include the local authority

- A board of directors, comprising (a) a majority of non-executive directors (one of whom is chair) who are appointed, and can be removed by the Council of Governors; a minority of executive directors one of whom must be the chief executive, and another must be the finance director
- The board of directors exercises all of the powers of the Foundation Trust, but they must prepare a document setting out the Foundation Trust's forward planning and in preparing the document the directors must have regard to the views of the council of governors

Subject to their governance, Foundation Trusts have an independent legal status from the Government, and are authorised to provide services by Monitor, now an executive non-departmental public body and part of NHS Improvement. In reality, the independence is significantly curtailed, as Foundation Trusts are subject to a procurement regime whereby their services are commissioned according to specified prices (the National Tariff).

Whilst Foundation Trusts are a type of mutual, their members have little if any powers beyond electing representatives to the Council of Governors. The extent of independence is inevitably compromised by the continuing duty of the Secretary of State for Health to provide or secure the provision of a comprehensive health service.

Source: Cliff Mills Mutuo UK

9.3 Co-operative development and funding

We have demonstrated in this analysis that co-operative development takes time. This has been the experience in the UK. In addition to the regulatory and funding barriers we have discussed, there are deep cultural divides and mindsets that need to be shifted. Reforming the human services model from one designed around providers to one that is designed around the users of services is transformational.

From our co-operative development work so far, the BCCM has identified a number of opportunities for growing co-operatives and mutuals in human services.

These opportunities include:

- Consumer and multi-constituency co-operatives that organise services around members.
- Consumer co-operatives that deliver Local Area Co-ordination, capacity building and information in the NDIS.
- Consumer co-operatives that deliver information, transparent independent ratings and navigation support in aged care and retirement living. For example, one of Australia's largest mutuals, NRMA has developed an independent ratings system for aged care and retirement living with COTA Australia and Gallup. The Owl RatingsTM award ratings to services that demonstrate high levels of customer engagement.
- Consumer and multi-stakeholder co-operatives where accommodation and community support are organised by the families, paid and unpaid workers. A secondary co-operative is

needed to support the establishment of others.

- Consumer co-operatives that enable service users to pool their resources for health and community support and create intentional communities. This is particularly relevant for older Australians and people with disabilities. The Waverton Hub is a great example, however a secondary co-operative is needed to incubate and scale the model, enabling others to be established.
- Community-owned digital platforms that link consumers with services such as Home Care emarketplaces where some of Australia's largest member-owned CMEs in motoring, health insurance and/or banking could form multi-constituency co-operatives.
- Enterprise co-operatives where progressive not-for-profit charities see the benefits of adopting a mutual or co-operative organisation form that enables them to focus on service users.
- Enterprise co-operatives around not-for-profit organisations involved in services that currently receive block funding from government. For example, Community Transport, Home Maintenance and Modifications and Meals on Wheels. The motoring mutuals working as part of a multi-constituency co-operative with community transport providers could, for example, consider how to re-create Hackney Community Transport.
- Worker led and multi-constituency co-operatives that enable workers to run viable businesses that focus on meeting a community need and quality services sustained by high levels of customer and worker engagement, for example Co-operative Home Care; National Health Co-operative; Nundah.
- Tenant-led consumer and multi-constituency co-operatives that can be positioned around the transfer of social housing assets to create more innovative community and affordable housing solutions, building on the success of CEH NSW Ltd and CEH Ltd.
- Multi-constituency co-operatives that deliver an integrated range of health and wellbeing services to members. This could build on the strong tradition of not for profit member-owned mutual health insurance funds in Australia.
- Multi-constituency co-operatives in thin markets, such as rural and regional NSW and locations that are characterised by persistent disadvantage.
- Consumer and worker led co-operatives that give control to Aboriginal and Torres Strait Islander peoples in service delivery.

CASE STUDY: SECURING FUNDING FOR START-UP CO-OPERATIVES IN CONTESTED MARKETS

Securing funding for start-up co-operatives and mutuals entering contested human services markets can be challenging.

To realise some of these opportunities, consideration needs to be given to how the BCCM, its members and CMEs more generally across Australia, could collaborate with Government and existing not-for-profit charities with an interest in operating as mutualised social businesses to create a co-operative development fund.

The purpose of this fund would be to spawn the sustainable development of new co-operatives in identified priority areas.

This is part of a wider and equally important question about how to fund significant new co-operative and mutual organisations. Part of the big picture cultural change is citizens recognising the need for mutual providers of personal services, and recognising that such organisations cannot exist without funding. The development of modern financial instruments to support such enterprises is crucial. In human services for example, whilst it is fair to say that businesses providing personal services tend to be relatively asset-light, they still need capital funding, and this has to be addressed at the beginning. If people are going to provide capital, then their role as members needs to be carefully designed to ensure that contributing capital is an attractive option, and gives them what they want.

Source: Cliff Mills, Mutuo UK

9.4 Creating a level playing field in contested markets when new or existing public services are transferred to third party providers

The lessons learned from the UK Public Service Mutuals Task Force demonstrated the challenges faced by new Public Service Mutuals when they competed for the first time often with large corporatised listed companies such as Serco. This was resolved by negotiating changes to EU procurement policies that gave the mutuals a preferred tendering position for the first 3-years after which they became exposed to full competitive tendering.

Other examples related to this need consideration. For example, a BCCM member, EML, a large provider of Disability insurance, health and wellbeing programs was invited by the NDIA to consider opportunities to tender for new Local Area Co-ordination services in Victoria. Their experience has been shared with the BCCM to highlight the barriers to entry involved when new entrants try to enter a market.

Background to NDIS Local area co-ordination tender

Why did we tender?

The NDIS vision of 'optimising social and economic independence and full participation for people with a disability' is a strong cultural and strategic fit to our vision – we help people get their lives back. The NDIS is based on insurance principles and we have experience managing large complex Government contracts. We have a history of delivering services as defined by social insurance legislation. We are currently delivering mobile case management in South Australia which is aligned to the Local Area Coordination (LAC) role requirements.



We have over 100 years' experience in delivering excellent outcomes in personal injury and

disability insurance that are both financially sustainable and customer focused. Our Mutuality and willingness to reinvest profits into the long term sustainability of the scheme is a key value proposition for the NDIA and stakeholders.

Overview of the tender and procurement process

Below is an overview of our engagement with the NDIA and the procurement process.

September 2015 - EML was approached by the NDIA in September 2015 with limited information regarding LAC services. The Agency and consultants from Boston Consulting Group (BCG) provided us with background to the services likely to be outsourced, and general discussions regarding our model and Member Benefits Program.

September to October 2015 – Research into the feasibility to enter a new market.

26th October 2015 - LAC tender released for the following 3 regions across Victoria:

Central Highlands – total LAC contract value is \$13.38m (1 July 2016-30 June 2019), including \$590,000 for pre-phasing services.

Loddon – total LAC contract value is \$13.34m (1 July 2016-30 June 2019), including \$705,000 for pre-phasing services.

North East Melbourne – total LAC contract value is \$32.6m (1 July 2016-30 June 2019).

12 December 2015 – LAC tender submission.

4 February 2016 – NDIA announces direct appointment of St Vincent's De Paul and Uniting Care to deliver LAC services with no tender announced. Approximate \$200m of contracts with no contestable opportunity to enter the NSW market.

24 March 2016 – NDIA announces the following successful tenderers:

Brotherhood of St Laurence in North East Melbourne

Latrobe Community Health Service in Central Highlands

Intereach in Loddon

BCCM suggestions to lowering barriers to entry in new areas of service delivery

A cost shared co-operative development fund targeted to priority areas of service development could engage earlier with potential new mutual entrants in a human services market. This could overcome some of the barriers caused by such factors as asymmetry of information and development costs to enable a more contested market to emerge without compromising transparency and accountability.

Allowing more time for the procurement process, especially in pre-planning could also be considered. This would be particularly important for example, in thin markets or where there is little or no choice in providers.

9.5 Enabling exploratory work and building understanding about the potential for co-operative and mutual development options in new

areas of public services

One area of public service delivery that impacts significantly on human services is community safety and corrections. Often, in these areas, finding better ways of delivering services can be challenging. Reform in these cases needs to be championed by an influential Minister with high level support from senior public servants.

One such area is prison reform. This is an area of public services where outsourcing occurs and usually involves large commercial for profit companies to emerge where the primary interest is in creating shareholder value. These can be difficult areas for reform with often polarized views about what constitutes improvement inevitably emerge.

The BCCM is aware of interesting work being done by Mutuo UK in co-operative development in the context of prisons and we thought it was relevant to this Inquiry that we also highlight the need to consider reform in areas that may involve even greater challenges than in more traditional and expected areas of reform.

Case study: Reflections on mutual development in prisons

The establishment of Rochdale Boroughwide Housing - RBH in 2013 as a user (tenant) and employee based public service mutual opens the way for this concept to be followed in other parts of the public sector.

Users and employees have a shared interest in their organisation succeeding. Often coming from the same community, estate or even household, tenants and employees have more to gain by working collaboratively together in the wider public interest. RBH is on a journey to reflect this fundamentally different approach, based on what is commonly referred to as co-design and co-production, which is a radical departure from the traditional, binary model of done-to public services.

This concept becomes of even greater significance in areas like probation and rehabilitation of prisoners. A key objective of criminal justice systems is to increase desistance, or reduce the level of re-offending. Incarceration, followed by unsupported release into the community, makes rehabilitation extremely difficult. A mechanism is needed whereby communities and local organisations and agencies can become participants in rehabilitation with prisoners and their families.

The concept was developed on a mutual basis with serving prisoners, probation staff and volunteers as part of the recent Government program to reform the Probation Service, called Transforming Rehabilitation. In the event, this mutual project did not proceed because the contract terms with Ministry of Justice were perceived to be unworkable; but the engagement and support by prisoners, prison staff and volunteers, together with the enthusiastic support from certain academic quarters, has led to a similar approach being explored in the context of prison reform.

In the 2016 Queen's speech, prison reform was the centre-piece, with indications of the possibility of independent legal entities for prisons, and greater autonomy and powers for Prison Governors. This opportunity is currently being actively pursued.

Source: Cliff Mills Mutuo UK (2016)

9.6 How the BCCM can support the Productivity Commission Inquiry on Human Services

The BCCM believes that co-operatives and mutuals offer a compelling option for the delivery of public goods and services.

Following the release of its White Paper, the BCCM has ratified the implementation plan of the National Public Service Mutuals Taskforce to scaffold the development of public service mutuals in partnership with service providers, service consumers and government.

The implementation plan has a timeline of three years to introduce up to three pilot public service mutuals that will be exemplars capable of replication.

The first of those pilots has been undertaken. Funded by the NSW Department of Transport the BCCM worked with three large community transport providers in a co-production environment to establish an enterprise owned community care co-operative.

The second pilot is underway to scale and incubate a family governed disability housing co-operative model in partnership with the National Disability Insurance Agency.

The BCCM has produced four Pathfinder Case Studies funded by the Department of Social Services to be 'how to' manuals for users on the establishment of public service mutuals. These case studies are hosted on the BCCM's open source platform, Get Mutual, a website of free resources on how to set and run co-operatives.⁸⁵

As part of the implementation plan, the BCCM has offered to work with government to establish a bi-partisan parliamentary group to investigate policies to support the development of public service mutuals.

The BCCM has also formed the Public Service Mutuals Expert Advisory Panel (Section 3) to continue the work of the Public Service Mutuals Taskforce established in late 2013, including engaging with state and federal government and being actively engaged with the Productivity Commission Review of Human Services in different jurisdictions.

The members of the PSM EAP and the BCCM stands ready to assist the Productivity Commission in reviewing human services delivery in whatever way is required.

Specifically, the BCCM can support the work of the Productivity Commission in these ways:

1. Arrange for the Commissioner and staff to meet with selected BCCM members and explore the case-studies included in this submission.
2. Connect the Commission and staff with trusted UK networks including Mutuo UK to provide information and guidance about how mutualisation of some human services, especially the emerging social co-operatives in the UK, could have relevance in building a stronger ethic of "for purpose social business" in Australia.
3. Connections with the International Co-operative Alliance so the Commission can understand how co-operative and mutual, self help models of social business have contributed to increased informed user choice and control and diversity in various human services and related markets.
4. Where the Commission considers there may be value in more detailed documentation of some of the case studies included in this submission, the BCCM is willing to assist.

⁸⁵ www.getmutual.coop

5. Before the Commission completes its full terms of reference and produces its Final Report in September 2017, the BCCM considers there would be value in holding a series of roundtables with members of CME businesses in Australia (perhaps done collaboratively with our UK experts) to establish specific insights and advice about how mutualisation could contribute as part of the wider reform agenda in human services.

10 Recommendations

10.1 Implement Senate Inquiry Recommendations

The BCCM recommends full and early implementation of the 17 recommendations from the Senate Inquiry on co-operative mutual and member-owned firms. The recommendations are attached at [Appendix B](#). In particular, attention is drawn to Recommendation 2 of the Senate Inquiry:

“3.28 The committee recommends that [the] co-operative and mutuals sector be better represented in government policy discussions, and is actively promoted as a possible option for service delivery particularly where community based initiatives are being considered”

10.2 Organisation form is crucial in the delivery of human services

The BCCM recommends that the Productivity Commission also asks the question in this Inquiry: “What organisational form is best suited to deliver human services in a world of choice and contestability?”

10.3 Consider other legal forms to spawn new mutual social enterprises

The BCCM recommends that the Productivity Commission considers options for achieving consistent national regulation of co-operatives and mutuals operating in public services that do not just rely on harmonised legislation in each State/Territory and in doing this, build on the insights and lessons learned in the UK around NHS Foundation Trusts and Community Interest Companies.

10.4 Human services identified for reform

The BCCM considers there are opportunities for reform in human services in areas that demonstrate the convergence of confluence pre-conditions outlined in Section 6. Some areas for closer consideration are:

- Integrated Community Health and Aged Care (Adult Social Care)
- Consumer co-operatives that support service users and their intermediaries navigate complex human services systems (e.g. aged care) including:
 - Consumer-friendly information

- Provision of independent scientifically validated ratings and other measures of quality that enable consumers to make informed choice
- Service navigators and mentors independent of service provision to support service users with personalisation and direct payments, and
- Community and member-owned digital platforms that make it easier for people looking for care being able to connect with services
- Worker co-operatives in personal care, home care and community health that enable the benefits of employee-ownership to be realised
- Tenant-led consumer co-operatives in social and community housing
- Community and assisted flexible transport and social support especially in rural and regional Australia
- Consumer co-operatives in the NDIS that address asymmetry of information between consumers and their intermediaries and providers, including:
 - Local Area Co-ordination, capacity building, information and advocacy
 - Multi-constituency family and worker-managed co-operatives in community support and accommodation.

10.5 Expand personalisation and direct payments in human services

The BCCM considers that expanding the personalisation agenda in human services including much greater use of direct payments within and across related portfolios, is central to achieving increased informed user choice and control and encourages the Commission to include this in its deliberations during the Inquiry.

10.6 Learn from others and apply lessons learned within an Australian context

The BCCM suggests that the Productivity Commission builds on the collaborative Australian and international networks and specialist advisors available through the BCCM and incorporate this into its research to gain deeper insights and the lessons learned in various areas of public service reform including mutualisation and extending personalised consumer directed services in health and other areas of home and community support.

10.7 Co-operative and Mutual development

The BCCM suggests that consideration is given to introducing a cost shared co-operative and mutual development initiative to fund activities associated with:

- Building understanding of the CME organisational form;
- Enabling new start-up co-operatives to be incubated and scaled in priority areas; and
- Business development and readiness to support new co-operative development.

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Appendix A BCCM Members

Full members



Associate members



Appendix B Recommendations from the Senate Economics References Committee report into co- operative, mutual and member-owned firms

The Senate Economics References Committee report into cooperative, mutual and member-owned firms

On 2 March 2015, the Senate referred the role, importance, and overall performance of cooperative, mutual and member-owned firms in the Australian economy for inquiry and report. The motion was jointly proposed by Victorian Senator Bridget McKenzie (NAT) and South Australian Senator Nick Xenophon (NXT).

The Senate Economics References Committee handed down its report on 17 March 2016 receiving bipartisan support for 17 recommendations highlighting the various barriers to innovation, growth and free competition faced by the sector and provided Federal government with a complete reform agenda to address these barriers. The recommendations fall under three broad categories; recognition, regulation and education as grouped below. The BCCM has called for the implementation of the recommendations in full in its 2016 Election Policy, which can be viewed on the BCCM [website](#).

Recognition

Recommendation 1

The committee recommends that the Commonwealth Government ensures that a national collection of statistics and data is undertaken to provide an accurate picture of the scale and extent of the co-operative and mutual sector.

Recommendation 2

The committee recommends that co-operative and mutuals sector be better represented in government policy discussions, and is actively promoted as a possible option for service delivery particularly where community based initiatives are being considered.

Recommendation 3

The committee recommends the Commonwealth Government work with states and territories to develop a program of supports to encourage the establishment of new co-operatives and mutual enterprises.

Recommendation 6

The committee recommends the Commonwealth Government work with states and territories to ensure the continual improvement to advice, guidance and information provided at all stages in the establishment, governance and regulation of co-operatives.

Recommendation 16

The committee recommends that APRA set a target date for the outcome of discussions with the co-operative and mutuals sector on issues of capital raising and bring those discussions to a timely conclusion.

Regulation

Recommendation 4

The committee recommends that a mutual enterprise is explicitly defined in the Corporations Act 2001, and its associated regulations.

Recommendation 5

The committee recommends that the role of directors in mutual enterprises is defined in the Corporations Regulations to align with the proposed definition of a mutual enterprise in the Corporations Act.

Recommendation 9

The Committee recommends that professional accreditation bodies, such as the Law Society and Institute of Chartered Accountants, require a demonstrated knowledge of the co-operatives and mutual structure before it will licence its members to practice accounting or law. *This recommendation also falls under education.*

Recommendation 10

The committee recommends that the Commonwealth Government amend the Indigenous Advancement Strategy to allow registered co-operatives the same access to allow levels of grant funding as other entities.

The Senate Economics References Committee report into cooperative, mutual and member-owned firms

Recommendation 11

The committee recommends that the Commonwealth Government review, and where necessary amend the eligibility criteria for grants and funds across all of government grants and program guidelines to ensure that co-operatives and mutual enterprises are not excluded on the basis of their business structure.

Recommendation 12

The committee recommends that the co-operative and mutual sector be considered when the government is preparing a Regulatory Impact Statement that accompanies new regulatory policies.

Recommendation 13

The committee recommends that the Commonwealth Government liaise with its state and territory counterparts to ensure that the regulatory burden for small and medium sized co-operative and mutual enterprise aligns with the needs of these organisations and ensures they are not disadvantaged relative to companies of a similar size.

Recommendation 14

The committee recommends that the Commonwealth Government closely monitor the progress of the International Accounting Standards Board in developing solutions to bring co-operative shares under the definition of capital under AASB 132, and, where possible, facilitate equivalent amendments as expeditiously as possible.

Recommendation 17

The committee recommends that the Commonwealth Government examine proposals to amend the Corporations Act 2001 to provide co-operative and mutual enterprises with a mechanism to enable them access to a broader range of capital raising and investment opportunities.

Education

Recommendation 7

The committee recommends that the Commonwealth Government to work with all relevant stakeholders to undertake a program of education and training to inform them about the role of co-operatives and mutuals.

This recommendation also falls under recognition.

Recommendation 8

The committee recommends that the Commonwealth Government examine ways in which it can improve the recognition and understanding of the co-operative and mutual sector in the national secondary school curriculum and that tertiary institutions consider the inclusion of co-operative and mutuals in accounting, business, commerce, economics and law degrees.

This recommendation also falls under recognition.

Recommendation 15

The committee recommends that Commonwealth and State Governments support the formalisation of some of innovative market-based approaches to raising capital for small and medium sized co-operative and mutual enterprises, in the form of advice and information, as they become available. *This recommendation also falls under recognition.*

For more information on the Senate inquiry, its recommendations or the BCCM's advocacy on implementing them, please contact:

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The Committees' full report, including all submissions made to the inquiry can be viewed at www.bccm.coop.