



Assembly Members

11 February 2015

Dear Assembly Member

During my oral statement on the Welsh Cooperative and Mutuals Commission, I announced that I had asked Professor Andrew Davies to reconvene the Commission to review the steps that have been taken to implement its recommendations.

I write to inform you that the Commission's Review Report has been published on the Welsh Government website today. The report can be accessed through the following link:

<http://gov.wales/topics/businessandconomy/how-we-support-businesses/welsh-coop-mutuals-commission/?lang=en>

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Review of the Implementation of the Commission Report Recommendations

21 December 2015

Comisiwn Cwmnïau Cydweithredol
a Chydfuddiannol Cymru

Welsh Co-operative
and Mutuals Commission

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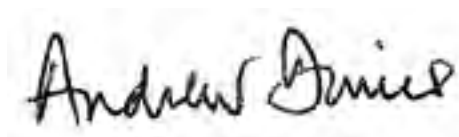
Foreword

The Minister for Economy, Science & Transport asked the Welsh Co-operative & Mutuals Commission to re-convene to consider the implementation of the Report's recommendations. In our initial report, the Commission stated that Wales, the birth-place of Robert Owen, a founder of the co-operative movement, has made a significant contribution to the development of the mutual and co-operative ideal and continues to do so. The Commission believed that Wales had the opportunity to rethink many of the questions about how we order our lives and also to contribute to the wider debate about and vision for the future – in Wales and further afield. We went on to say that we hoped that our *“report will not only contribute to that wider debate but also give practical effect to developing that vision.”*

Commission members were delighted to see the very warm welcome our report received. We were particularly pleased that Welsh Ministers very quickly accepted the report's recommendations and have moved rapidly to implement these in Welsh Government policy, legislation and guidance. This was demonstrated for example by Welsh Ministers commissioning the Keith Edwards' report, 'Is the Feeling Mutual?', on the potential of mutual models for public service delivery in Wales.

The Commission was conscious that our review was undertaken only 12 – 18 months after publication of our original report and consequently that it might be too early to see substantial progress in all areas. Nevertheless we were again pleased to see the co-operative and mutual movement responding positively to our report's recommendations, although we recognised the capacity of the sector to respond quickly to change, it was sometimes constrained and we hoped our report's recommendations would help to develop greater resilience.

As ever in many policy areas in Wales however, the challenge will be to translate the ambitious high-level Welsh Government legislative and policy aspirations into practical implementation 'on the ground'. Public bodies such as local authorities and health boards have a great opportunity to use the mutual model to provide better and more flexible citizen-centered services with greater efficiency, especially at a time of austerity. It would be a huge missed opportunity if these public bodies failed to respond imaginatively and dynamically to this. As we say in the conclusion to our original Report, the key to realising the Commission's *“vision will be that Welsh Government and the sector will need to continue to work together to deliver practical and tangible outcomes in transforming public services and developing the Welsh economy. It will only be through this joint working and the embedding of co-operative and mutual values will Wales truly become a 'co-operative nation.'”*



Professor Andrew Davies

Chair, Welsh Co-operative and Mutuals Commission

Executive Summary

The Report of the Welsh Co-operative and Mutuals Commission was published in February 2014. The Minister for Economy, Science and Transport announced in October 2014 that the Commission was to be reconvened *“to review the steps that have been taken to implement its recommendations”*.

The Commission met on the 27th of February 2015 and agreed that the purpose of this review was:

- to consider the initial responses and steps taken (by Welsh Government and the co-operative sector) to ensure the delivery of the Recommendations;

The two most significant developments related to the work of the Commission (since the publication of its report in 2014) would appear to be – ‘Reforming Local Government: Power to Local People White Paper’ (as referenced by the Minister for Economy, Science and Transport in her Written Statement reconvening the Commission); supported by the review into the future delivery of public services undertaken by Keith Edwards – ‘Is the Feeling Mutual? New Ways of Designing and Delivering Public Services in Wales’ which examines the potential role of co-operatives and mutuals in public service delivery and was completed in collaboration with this review, with appropriate matching outcomes emerging in areas of common interest; and the planning and implementation of the European Funding Programmes in Wales.

Progress Overview

Education for Co-operation

The legislative framework for the composition of school governing bodies in Wales is currently being reviewed with a view to making them more flexible to allow governing bodies to be founded on co-operative principles. The Minister for Education and Skills has accepted in full Professor Donaldson’s recommendations following his ‘Successful Futures’ review of curriculum and assessment in Wales.

Advice, Support and Development of Co-operatives

A major new business support facility – Social Business Wales (SBW) – has been launched by the Welsh Government. The Welsh Government is providing match funding towards the £11 million EU backed ERDF supported project which is being led by the Wales Co-operative Centre. Social Business Wales will operate as part of the wider Welsh Government and EU funded Business Wales service. The Social Business Wales service will deliver specialist support to co-operatives, mutuals, social enterprises and employee buy-outs with growth ambitions. It will also aid charities to establish trading arms to take forward commercial ideas. Welsh Government and the Wales Co-operative Centre have developed a dedicated area for those considering starting up or operating a social business within the Business Wales website businesswales.wales.gov.uk. The Social Business Wales resource includes advice, case studies and information on events.

Investment Finance

A Management Succession Fund is under development and will include employee buy-outs amongst its clients. The Welsh Council for Voluntary Action (WCVA) has previously established a Community Investment Fund – and there would appear to be an opportunity to create an enhanced fund to meet a wider range of needs of co-operatives, mutuals and social enterprises. The ‘Lending Ready’ review made a series of recommendations and work is already underway to implement these, including as they relate to Social Business Wales, to ensure businesses, including co-operatives, mutuals and social enterprises, are ‘lending ready’ and can access the finance they need to grow.

Land and Assets

Issues related to this recommendation of the Report and to assets generally, are wide-ranging and impact on similarly varied interests of Welsh Government departmental functions. In response a Community Assets Welsh Government Working Group has been established to enhance collaboration across Ministerial portfolio areas. Individual actions have included preparing guidance for communities generally and related specifically to leisure services. The Group will consider a number of areas and will subsequently develop and instigate relevant action.

Procurement

A Steering Group has been established with a wide range of membership from both the buyer and supplier sides, to oversee and maximise the value of demonstration projects; to shape an action plan; to capitalise on the new provisions within revised European Union (EU) procurement rules and to examine how to use the outcomes of the mapping research on the social economy in Wales to further develop the co-operative and mutuals supply chain.

Intelligence and Innovation

Links have been established between Welsh Government Innovation, the Wales Co-operative Centre, the Development Trust Association Wales and Social Firms Wales to explore the ways in which third sector organisations can participate fully in innovation support interventions and to trigger initial actions.

Networks and Advocacy

The Welsh Government has agreed to support the development of a ‘Mutuals Alliance’, and leading co-operative and mutual organisations have been involved in discussions on its remit. The ‘Mutuals Alliance’ will be hosted by the Wales Co-operative Centre which will also facilitate action in areas related to research, policy development, sector leadership, networking and awareness-raising about mutuals and the benefits they bring amongst key stakeholders, the general public and Government. While one recommendation was primarily concerned with legislation, Welsh Government responses also referred to wider practical dimensions generally as related to public services and to transport. More specifically in areas related to Health and Social Services – particularly with reference to the Social Services and Well-being (Wales) Act 2014 – a comprehensive range of planned actions was noted. Similarly within Housing and Natural Resources a wide variety of strategic and practical initiatives were highlighted.

The Wales Co-operative Centre was commissioned by the Welsh Government to develop further intelligence via a mapping exercise of the sector. 'Social Businesses in Wales: The State of the Sector' Report was launched in June 2015.

In summary, although it has only been 18 months since the publication of the Commission's Report, our review has found clear progress in embedding aspects related to co-operative, mutual and social enterprise development within future long-term dimensions of legislation, policy and implementation. The Commission was particularly encouraged to see its Report being so enthusiastically endorsed and its recommendations being so quickly implemented by Welsh Ministers. However there will need to be continuing commitment to fully realising the practical impacts of such processes. Some immediate individual actions have been instigated since the publication of the Commission Report, for example the shaping of a significant Social Business Wales strand within the overall Business Wales support framework.

Each cluster of recommendations within the Report and the related activities are interlinked and actually build on and reinforce each other. In order therefore to ensure maximum outcomes and benefits from such processes and actions, one key aspect in the next period will be how all short and long term dimensions are interwoven within a holistic development and delivery framework.

As always, the question of how implementation happens is as important as what actions are delivered. While delivering aspects of the individual recommendations will obviously produce some results, the key question remains how to secure the 'step change' envisaged in the Report.

The Commission Report emphasises the role of both Welsh Government, other public bodies and, of co-operatives, mutuals and related organisations themselves (referred to as 'the sector') in ensuring implementation. Several functions within Welsh Government have inputs to the process, as noted in recommendations and responses to this review. In terms of the sector, the Wales Co-operative Centre has started a process of involving key inspirational players from leading co-operative and mutual organisations in Wales in a new way in order to develop a considerably enhanced and proactive role for the sector itself in a 'supportive infrastructure'. The aim will be to provide a real basis for significantly increasing the role and engagement of the sector, within a 'Mutuals Alliance'.

But the whole process of ensuring implementation will need to go beyond clarifying separately the role of the sector and of Welsh Government and other public bodies. As the Commission Report suggests, this implementation process needs to be done "*in a different way*". To be most effective the framework for implementation will need to combine the different strengths and assets of both the sector and Welsh Government within an integrated model. This will enable integrated joint planning, initiating, benchmarking, delivering action, monitoring and reviewing overall progress.

In terms of the overall conclusion of this review, it is clear that there has been progress in implementing many of the recommendations of the Commission Report. Also, some of the longer term planning processes related to recommendations, for example, linked to implementing new legislation or strategies, are beginning to embed issues related to co-operative and mutual models into their development. There is high level Welsh

Government Ministerial buy-in to developing the potential of co-operatives and mutuals in Wales. While there had been a perception initially that the co-operative and mutual sector itself could do more to respond to the challenges set by the Commission, there are clear signs that some of the key sector players are now gearing up jointly to take on increasing intervention and delivery responsibilities.

However these factors, in isolation, are unlikely to secure the 'step change' outlined in the Commission Report. As noted, each cluster of recommendations within the Commission Report and the related activities are interlinked and actually build on and reinforce each other. In order therefore to ensure maximum outcomes and benefits from such processes and actions, one key aspect in the next period will be how all short and long term dimensions are interwoven within a holistic development and delivery framework.

There appears to be a need to generate increasing engagement and ownership across Welsh Government departments and functions, at all levels, in order to maximise the potential of co-operatives and mutuals to realising the ambitions of Welsh Government, as well as to build on the opportunities emerging from public service changes. The sector will need to fully develop its capacity in order to contribute to progressing the vision of the Commission and Welsh Government. But the key to realising this vision will be that both dimensions (Welsh Government and the sector) work together within a formal recognised framework mechanism to build an overall implementation / action plan and to deliver practical outcomes. This mechanism will need to be linked closely with the transformation process of shaping increasingly co-operative and mutual models of public service delivery.

1. Introduction and purpose of the Review

The Minister for Economy, Science and Transport announced the establishment of the Welsh Co-operative and Mutuals Commission (The Commission) in July 2012 in order to make recommendations on how to develop the potential of the co-operative and mutual economy in Wales. The remit of the Commission was to:

- Consider the evidence for supporting the co-operative and mutual sector in Wales;
- Consider existing business advice for the co-operative and mutual sector and provide suggestions on how this might be strengthened;
- Identify specific areas that might be targeted for additional support by the Welsh Government;
- Consider best practice and evaluations that may be available;
- Set out a vision for the co-operative and mutual economy in Wales;
- Identify and establish benchmarks; and
- Provide suggestions on strategic direction and practical recommendations for the achievement of the vision.

The Commission, chaired by Professor Andrew Davies, took evidence from a wide variety of organisations and individuals both internationally and from Wales and the UK. The Commission's work was supported by a sector Advisory Group, chaired by the CEO of the Wales Co-operative Centre.

The Commission's Report, including a number of recommendations, was published in February 2014, following which several consultation events were organised throughout Wales.

The Minister for Economy, Science and Transport made a statement to the National Assembly for Wales in October 2014 announcing that she would be reconvening the Commission to review progress made on the implementation of their recommendations. A Written Statement was issued by the Minister in February 2015 confirming the re-appointment of five of the original seven members of the Commission.

This review includes:

- a reminder of key elements of the original Report of the Welsh Co-operative and Mutuals Commission;
- a summary of a number of key developments since the publication of the Report;

During her statement of October 2014 the Minister for Economy, Science and Transport stated jointly with the Minister for Public Services, that an additional report had been commissioned which would build on the work of the Co-operative and Mutuals Commission and the themes outlined in the 'Reforming Local Government: Power to Local People White Paper'. This additional report 'Is the Feeling Mutual? New Ways of Designing and Delivering Public Services in Wales' was asked *"to explore how we can support local authorities that wish to develop mutual or cooperative models for the delivery of services in certain areas"*¹.

1 Written Statement by the Welsh Government 24 February 2015 Welsh Co-operative and Mutuals Commission

2. Key aspects from the Report of the Welsh Co-operative and Mutuals Commission

The Commission's Report stated that the best known and defining characteristic of a co-operative or mutual is participation. There are six other principles to which co-operatives also adhere:

Co-operative Principles
Voluntary and open membership
Democratic member control
Member economic participation
Autonomy and independence
Education, training and information
Co-operative amongst co-operatives
Concern for Community

Such principles, along with participation, can also be central to other types of social enterprises that are referred to in parts of the Report. This review, therefore, encompasses the full range of types of enterprises based on these principles.

Challenges and opportunities facing the economy and society of Wales are examined in the Report, as are their potential implications. The Commission noted the significance of current economic circumstances and concluded that *"co-operatives and mutuals are much more than a short term 'sticking plaster' for the latest economic problems."* Both in terms of short-term issues and longer term trends, the Report emphasises, with the appropriate support, the potential of co-operatives and mutuals to transform the Welsh economy *"creating good quality jobs, increasing wealth and producing high-quality goods and services for its people"*.

While this potential is seen as relevant to all kinds of economic activity, it is viewed as particularly significant to some types of sectors (for example social housing, social care, health care, leisure and cultural services, agriculture, food processing, forestry and other land-related activities) and specific business situations (succession and employee buy-outs). The future of public services generally was addressed and the Commission concluded *"that a structured, proactive approach to mutualisation of services is preferable to piecemeal, cost-driven contracting out"*. The significance of the changes in public services and the range of opportunities in other sectors is underlined throughout the Report.

For all the most relevant sectors and situations, some types of areas for action were identified, mainly related to:

- raising awareness of co-operative and mutual models;
- the need for expertise in both co-operative and mutual development and specific sectorial aspects;
- access to finance especially in early stages of development;
- aspects of procurement;
- a supportive legislative and policy framework; and
- aspects related to leadership, governance and innovation.

While recognising the value of current development and support activities, the Commission concluded that the potential of co-operatives and mutuals to fully contribute to transforming Welsh economic prospects would not be realised without a considerable development in the supportive infrastructure. The Report, however, notes that *“the creation of new organisations cannot be justified”* and suggests that the focus should be *“that current intermediary co-operative functions are developed smartly...”*. The Commission and its recommendations are focussed on both creating and strengthening the support infrastructure as well as on specific types of actions and projects for implementation.

The function of the public sector within a ‘partnering role’ is emphasised, (including in the provision of pump-priming funding for the development of the sector) *“working with new and existing co-operatives and mutuals as business partners”*.

As stated in the Commission’s Report their recommendations focused *“on creating the necessary infrastructure for a thriving co-operative and mutual sector in Wales. They do not usually address detailed operational issues. The recommendations are addressed both to Welsh Government, which commissioned this report and will be responsible for leading and supporting the step-change required, and to the co-operative and mutual movement itself, which is responsible for advocating change and making it happen on the ground.”*

The Commission proposed that a ‘co-operative development programme’ should be taken forward in a different way to conventional government led initiatives. They recommended a collaborative approach. It stated that, *–“While public bodies can – and indeed must – help and support the process of co-operative development, it must also actively involve cooperatives and mutuals themselves.”*

While some of the recommendations are noted as cost-neutral, the Commission considered that investment in developing co-operatives and mutuals was a recognised route to realising Welsh Government priorities related to jobs as well as to regeneration and health. In particular it focuses on the opportunities for utilising the new European Union (EU) funding programmes.

The whole process of establishing benchmarks and reviewing economic performance is addressed in a specific recommendation – but is also seen as an issue for the overall implementation process adopted.

As the Commission’s Report includes elements related to specific individual areas of action (recommendations) as well as overall development and delivery, this review seeks to address both aspects and how they need to be interrelated.

3. Significant developments since the publication of the Report

Since the publication of the Report in February 2014 there have been a number of Welsh Government-led developments, which will impact on the transformation of Public Service, steps to implement relevant education and finance related recommendations, including

- The 'Reforming Local Government: Power to the Local People White Paper'
- The 2014-2020 European Funding Programmes
- The publication of 'Successful Futures: Independent Review of Curriculum and Assessment Arrangements in Wales'
- Development Bank for Wales Feasibility Study
- Publication of 'Is the Feeling Mutual? – New ways of Designing and Delivering public services in Wales.'
- Social Business Wales specialist business support project.

3.1. The 'Reforming Local Government: Power to Local People White Paper'

This White Paper builds on the work of the Commission on Public Service Governance and Delivery Report (chaired by Sir Paul Williams, who is also a member of Welsh Co-operative and Mutuals Commission). The White Paper, published in February 2015, is the Welsh Government's 'statement of intent' about the future of local government in Wales, for which consultation closed in late April 2015. Throughout the publication the potential role of co-operatives and mutuals is highlighted and is explored in more detail in Chapter 5: Power to Local Communities:

"In order to realise our ambition of Local Authorities which actively share power and responsibility with the communities they serve, we set out...the role we see for mutualism, co-operation and shared ownership in the transformation of public services. We set out the way in which communities can engage with Local Authorities in joint endeavour and how people can protect land and property of community value for the future. We intend to achieve this by giving community bodies a number of rights which they can exercise in relation to services and assets."

Keith Edwards, former Director of the Chartered Institute of Housing Cymru was commissioned to explore how to significantly increase the role of co-operatives, mutuals, social enterprises and other non-profit distributing organisations in modelling, managing, owning and delivering public services in Wales.

As there are clear links between elements of the White Paper and aspects of the Commission's Report, it was agreed that the Commission would have access to the emerging issues and themes identified by Keith Edwards in his report 'Is the Feeling Mutual? New Ways of Designing and Delivering Public Services in Wales'.

The identified links are:

- As noted in Recommendation 5 of the Commission Report (*Extending the specialist support for growth and development of co-operatives in specific sectors...*) actually converting these ambitions to reality will require pro-active sector specific engagement and developmental support. This reflects the emphasis within the Commission Report on taking an activist approach in several sectors, for example

as noted in Section 4 'Achieving a Step Change' *"Pro-active encouragement and support will be needed to drive forward the development of social care co-operatives..."*.

- The dimensions in the White Paper related to asset transfer (public and private sector assets) closely align with the Commission Report recommendations (11 and 12 related to Land and Assets). It will be essential, as noted, to recognise the significant timescales that will be required to enable communities to develop all relevant practical aspects as well as for raising the necessary funds.
- The Commission would endorse the recognition of the need to ensure that communities, potential co-operatives / mutuals secure the necessary capacity and capabilities for full effective and sustainable implementation. The scale of changes involved in such processes should not be underestimated – in terms of motivation, skills, attitudes, timescales as well as all the practical detailed aspects to be addressed.
- The key focus therefore will need to be on how to ensure these capabilities are fully developed. The toolkits noted in the White Paper will be a useful first step in this direction. The Commission however, underlines the need to recognise the scale of the changes being expected in reality and the need to ensure the availability of practical, facilitating and developmental support necessary for actual implementation. With reference to public services, the Report notes: *"The Commission is concerned at the paucity of advice that public bodies have access to when considering alternative models of public service provision."* The provision of such advice and support will itself need sufficient capacity.
- Developing the capabilities of new community, co-operative and mutual enterprises will need to include support to ensure appropriate governance, financial management as well as meaningful adoption of relevant values relating to membership and ownership.
- Reflecting the evidence it examined, for example as noted by Torfaen County Borough Council, *"there is a need for a targeted resource that will hand hold potential spin-outs through the process..."*, the Commission proposes that a specific development and support implementation framework / mechanism of some kind was instigated over the next period to ensure that as much of this particular element of the agenda is addressed. Such a mechanism should be embedded within an existing function / organisations, and would need meaningful engagement of key players within the co-operative and mutual sector.
- One key aspect of the Commission Report is the emphasis on the role of existing co-operatives and mutuals in supporting others as they develop (reflecting one of the defining characteristics of co-operation, referred to as Principle 6 – Co-operation amongst co-operatives). The proposed mechanism would therefore need to ensure the positive engagement of relevant and experienced co-operative players, for ongoing mentoring and practical sectorial support. It will also be essential to ensure that support for new individual co-operative and mutual enterprises is ongoing for the first three years after establishment. Those new co-operatives and mutuals supported should themselves be required, in the longer term, to mentor and support others considering and developing new co-operative and mutual enterprises.
- The White Paper acknowledged that in order to support this agenda there needed to be a *'framework to support transformation'*. On publication of the report *'Is the Feeling Mutual? New Ways of Designing and Delivering Public Services in Wales'*

the Welsh Government published a Written Statement explaining that an Action Plan would be developed to take forward findings of the report. The Welsh Government is currently consulting on that Action Plan and has held a number of sector focused workshops to gather further views on establishing a framework for collaborative working in the development of alternative delivery models for public services.

3.2 The 2014-2020 European Funding Programmes

The Commission's Report makes specific reference to the next round of European Union funding which will provide an opportunity to launch the kind of step change that is needed. Here are examples of potential links between European funding sources and some recommended activities within the Commission Report.

- the European Regional Development Fund (ERDF) and European Social Fund (ESF) Structural Fund programmes;
- the European Agricultural Fund for Rural Development (EAFRD) and European Maritime and Fisheries Fund programmes;
- plus transnational programmes like INTERREG.

Together these will form what is known as the European Strategic Investment (ESI) Funds in Wales. The Economic Prioritisation Framework for Welsh European Funds (EPF) is in place to support the delivery of the European Strategic Investment Funds and seeks to ensure meaningful integration between European and domestic funding. References to mutual or non-profit models of organisations tend to be noted in the documentation under the banner / short hand of 'social enterprise'. For example, within the Economic Prioritisation Framework the 'backbone operations' (i.e. the mainstream projects to be funded from the outset of the programmes) include:

- Integrated business support scheme(s) for all Small and Medium sized Enterprises (SMEs) (including social enterprises, farmers and fishermen) from start-up to growth (including internationalisation, resource efficiency, low carbon and exploitation of Information and Communication Technology (ICT)).
- Tailored support for farming SMEs and social enterprises where gaps are identified in integrated schemes.

Within European Regional Development Fund programmes, the SME Competitiveness Priority again has a reference to social enterprises:

- To increase the number of SME start-ups through the provision of information, advice and guidance and support for entrepreneurship, within the Targeting Principle of 'Tailored support / approaches for different target groups (e.g. Social Enterprises)'.
'
- To increase the growth of those SMEs with growth potential, in particular through accessing new markets (both domestic and international), within the Targeting Principle of 'Consideration SMEs with varying objectives and legal constitutions (e.g. Social Enterprises)'

Within the LEADER element of the new Rural Development Plan for Wales (EAFRD – European Agricultural Fund for Rural Development) some particular types of activities are noted as priorities for action (within Welsh Government Guidance for Local Action Groups). These include:

- Adding value to local identity and natural and cultural resources
- Facilitating pre-commercial development, business partnerships and short supply chains
- Exploring new ways of providing non-statutory local services
- Renewable energy at Community level
- Exploitation of digital technology

3.3. The publication of ‘Successful Futures: Independent Review of Curriculum and Assessment Arrangements in Wales’

In March 2014 Professor Graham Donaldson was asked by the Welsh Government to conduct a fundamental review of curriculum and assessment arrangements from Foundation Phase to Key Stage 4.

Professor Donaldson’s Report, ‘Successful Futures: Independent Review of Curriculum and Assessment Arrangements in Wales’ published in February 2015, identified very real strengths in Wales, including the Foundation Phase, the Welsh Baccalaureate, the Literacy and Numeracy Framework and the commitment to the Welsh language and culture on which Wales can build. His report also identified the shortcomings of the current curriculum arrangements and made a series of recommendations to address these and improve how children in Welsh schools are taught and assessed.

Professor Donaldson believes the school curriculum should be designed so that all children and young people in Wales will be:

- ambitious, capable learners, ready to learn throughout their lives
- enterprising, creative contributors, ready to play a full part in life and work
- ethical, informed citizens of Wales and the world
- healthy, confident individuals, ready to lead fulfilling lives as valued members of society.

To support these purposes, Professor Donaldson identified the need for a revised curriculum that encouraged rather than inhibited learning and takes into account the best interests of the child or young person.

Whilst Professor Donaldson was undertaking his review the Welsh Government’s education improvement plan, ‘Qualified for Life’, was published. This plan identified six principles and values intended to be a guide for building on Wales’ ‘long history and tradition of valuing education’ including:

“The success of our education system depends upon the success of all children. Collective responsibility, supported by cooperative values of partnership, trust, mutual respect and support underpin how we work together.”

Professor Donaldson is of the view that for a new curriculum to be successful it would need the co-operation and commitment of both the educational practitioners and the wider community.

Following the publication of Professor Donaldson's review, the Welsh Government launched the 'Great Debate' which provided a forum for the people of Wales to debate on the Report and its recommendations.

The Minister for Education and Skills has accepted in full Professor Donaldson's recommendations following his 'Successful Futures' review of curriculum and assessment in Wales.

Taking forward the recommendations provide the Welsh Government with the opportunity to reform the education system and to build their very own, world leading curriculum for Wales. In response to Professor Donaldson's Report the Welsh Government has set up a group of experts, including all key stakeholders, to develop a foundation phase strategic action plan containing short, medium and long-term actions that will put in place a long-term approach to develop consistently good practice across Wales. The plan will be published in early 2016.

The intention is to create a self-improving system that allows all learners in Wales to enjoy teaching and learning that inspires them to succeed, in an education community that works cooperatively and aspires to be great, where the potential of every child and young person is actively developed.

3.4. A feasibility study into the creation of a Development Bank for Wales

In June 2014 the Welsh Government commissioned Professor Dylan Jones-Evans to chair a Task and Finish Group to produce a report on the possible form, function and feasibility of a Development Bank for Wales. This included an examination of closer ties between the Welsh Government's financial support and the business support regime, as well as securing greater levels of private sector funding to support businesses in Wales.

The Report, 'A Feasibility Study into the Creation of a Development Bank for Wales' was published in March 2015, and recommended that a new organisation 'the Development Bank for Wales' be established which would enhance the capability of the Welsh Government to support Small/Medium Enterprises in Wales.

The establishment of such an organisation would reinforce the Commission's recommendations 9 and 10 and allow business support providers to collaborate closely with the private sector and providers to address the supply and demand dynamic of the Welsh finance market as well as developing innovative approaches to provide solutions that directly address the needs of the SME sector including co-operatives and mutual business models.

Work on the Development Bank continues and is being led by Finance Wales working alongside Welsh Government officials.

3.5. Is the Feeling Mutual? New Ways of Designing and Delivering Public Services in Wales

In order to address the gaps in specialist expertise which were identified by the Commission and deliver on the policy intentions set out in the White Paper 'Reforming Local Government: Power to Local People', the Minister for Economy, Science and Transport and the Minister for Public Services jointly commissioned Keith Edwards to explore what is needed to support the practical development of mutual models in public services delivery.

Keith Edwards' review explored the potential role of mutuals, co-operatives and shared ownership in delivering modern public services by:

- Reviewing current policy and practice content including identifying examples of good practice from Wales and elsewhere;
- Seeking views and testing the level of support for co-operative and mutual models by engaging a wide range of interested parties; and
- Identifying specific partnership opportunities with local authorities relating to a range of service areas.

Keith Edwards's Report outlines the current relationship between co-operatives and mutuals and delivery of public services and the potential for this relationship to be developed as an alternative to privatisation, redundancies or service closure. It summarises the position of, and potential role in driving change, of all the key organisations with an interest before proposing ways in which a co-operative transformation of public services could be supported.

Whilst there is already significant activity in this area across public services this Report makes it clear that there is an opportunity here to improve and develop stronger and more sustainable services within a strong public service ethos which in turn would protect the interests of the communities which use these services and the workforce which delivers them.

The Report acknowledges the positive work already happening in Wales whilst recognising that there is also an opportunity to see the innovation and creativity evident in some places spreading more widely and, in doing so, ensuring that vital services still continue. The Report suggests that the *"Welsh Government needs to collectively embrace transformation and set out a long term vision."*

Keith Edwards's work identified that although a process of radical transformation is inevitably controversial, there are a number of fundamental points of agreement between Welsh Government and partners, especially at a local level including:

- Given the scale and long term nature of the challenge, the status quo is not an option;
- The process has to be truly transformative and sustainable;
- Whilst options that involve privatisation are rejected by most public services bodies in Wales those that encourage not-for-profit solutions are not, the principles being, 'What matters is what works' and 'form must follow function'.

It is clear that mutual and other democratic models often take considerable time to develop to maturity and are not best launched when public bodies are having to make urgent decisions as a result of reduced budgets. Consequently, developing mutual options may not sit well with the pressure to scale up at pace and to start developing alternative models immediately for service areas under severe pressure. Capturing and sharing good practice will be critically important in the process of transformation and ensuring it happens at a much greater scale and pace.

There is an opportunity for a major initiative to instil in the existing not-for-profit sector a greater sense of responsibility for supporting the growth of new organisations consistent with international Co-operative Principle 6 that 'Co-ops should help other Co-ops'. The report stresses that the importance *"of finding radical new ways of doing things whilst*

retaining our shared values has become, not just stronger, but inevitable.....we have to ensure that there is a properly resourced framework in place to support successful and sustainable implementation.”

3.6. Social Business Wales Specialist Business Support Project

June 2015 saw the launch of the £11 million Welsh Government and ERDF backed Social Business Wales project which is being managed by the Wales Co-operative Centre. This project supports the growth of social businesses through expansion, diversification, collaboration with others, and the transformation from a traditional business model to an employee owned business. Operating as part of the wider Welsh Government and EU funded Business Wales service www.businesswales.gov.wales; the project will offer specialist support services to help businesses expand their products, services and markets. It will also aid Charities to establish trading arms to take forward commercial ideas.

Additional on-line support is also available to those individuals who are planning to start a social business or just need some information about running an existing one. In these cases clients should be referred to www.businesswales.gov.wales/socialbusinesswales which is a one-stop shop for online guidance, tools and advice developed by the Wales Co-operative Centre and Welsh Government.

4. Commission Recommendations – Summary of current position and future intentions

The recommendations in the Commission’s Report emerged from the whole process of:

- taking written and oral evidence from nearly 100 organisations, individuals and other sources;
- internal discussions and distillation of themes by the Commission members and its sector Advisory Group.

When this Review was announced both the Welsh Government and the Advisory Group were asked to update the Commission on relevant actions taken in implementing the recommendations. The Commission discussed their contributions at their meeting on the 27th February 2015.

The Commission considered that although the responses were comprehensive they tended to describe what had been or was happening in areas related to the recommendations. The Commission requested further feedback relating to future intentions. Both the Welsh Government and the Advisory Group (to the Commission) have supported this further request.

4.1. Education for Co-operation

Recommendations referred to embedding the values, principles and skills related to co-operation throughout the education system, including in the ethos of all aspects of a school’s organisation and governance. They also included integrating learning about co-operation into the curriculum at primary and secondary levels generally and specifically within the Youth Entrepreneurship Strategy and the Welsh Baccalaureate. The recommendations also referred to several dimensions related to higher education.

The Welsh Government has had positive initial discussions with the Chief Executive of the Co-operative College to discuss the recommendations in the Welsh Co-operative and Mutuals Commission Report relating to Education. The Co-operative College have offered their advice and support in taking these issues forward. In the short-term, action is under way to ensure Co-operative College designed materials could be distributed to schools.

In terms of school governance and management, there is no provision in law in Wales for the establishment of Foundation Trust schools or academies with a trust similar to those on which the co-operative Trust school model is based in England. (Although the Commission notes that in England the significant growth in co-operative schools has largely been driven by schools choosing to adopt a co-operative model of organisation rather than the conventional Foundation Trust model.) However, in Wales there is full support for the principles and ethos of the co-operative mutual approach and the aim is to embed these principles in maintained schools in Wales. The legislative framework for the composition of school governing bodies in Wales is currently being reviewed with a view to making them more flexible to allow governing bodies to be founded on cooperative principles. A central part of this review will be to explore how the principles of the co-operative model can be further embedded within the current legal framework without the need for primary legislation.

Generally, collaboration – especially between schools – is an increasing feature of the education system, including within several priority schemes for schools improvement. With reference to the publication of the Donaldson review² many of the ‘key characteristics’ of curriculum purposes align with the co-operative ethos, and will be central to the new Welsh Curriculum design, subject to current consultation. In June 2015 the Welsh Government responded to the Donaldson review confirming its intention to take forward the recommendations. *Schools Challenge Cymru* initiatives, such as the *Pupil Offer*, will help *Pathways to Success* schools develop co-operative partnerships with organisations outside of the education sector for the benefit of pupils and the school community. Discussions are taking place with the Cooperative College related to the Pupil Offer and the wider partnerships developed by *Pathways to Success* Schools

Delivering on the actions of the 2010-2015 Youth Entrepreneurship Strategy the revised Welsh Baccalaureate 2015 highlights the importance of developing the essential skills and presents opportunities for the co-operative and mutual sector to engage through the Enterprise and Employability Challenges; and Community Challenges. The Welsh Joint Education Committee (WJEC) is supporting the development of the Business led challenges related specifically to social enterprise and co-operatives, with external organisations such as the Wales Co-operative Centre.

The range of teaching and research activities related to co-operatives, mutuals and social enterprise within higher education in Wales appear significantly less visible, as each institution is an autonomous body. There are, however, real opportunities to increase the awareness of the range of existing activities and to strengthen linkages between co-operative and mutuals development and graduate and post graduate teaching and research, including initially by developing a specific higher education web-based resource linked to the new Social Business Wales element within the Business Wales website. There are also real opportunities to create links between co-operative dimensions within the employability and entrepreneurship agendas within higher education and co-operatives and mutuals organisations, to create common benefits. For example, increasing collaboration with higher education careers services, and embedding co-operative aspects into new projects as they develop.

4.2. Advice, Support and Development of Co-operatives

Recommendations referred to the need for securing a comprehensive range of business advice and support to co-operatives and mutuals, including a particular element via a web portal. Recommendations also noted the requirement for specific specialist support related to the pro-active growth and development of co-operatives in particular sectors; for support to secure employee buy-outs; and for co-operatives themselves to increasingly support the development of other new co-operatives.

The Welsh Government and the Wales Co-operative Centre have worked closely together to assess the support needs of co-operatives and mutuals. The Welsh Government’s Business Wales service secures significant interaction with large volumes of businesses, and training will be delivered to the organisations providing the main generic services, which will include the ability to identify those wishing to start or grow social businesses and to identify companies who may consider employee buyouts as a viable option. The

2 Successful Futures: Independent Review of Curriculum and Assessment Arrangements in Wales (2015)

question of employee ownership will be integrated into the standard diagnostic used with all companies who access advisory services, and where the need is identified they will be referred to Social Business Wales. This particular element of Social Business Wales will include raising awareness amongst business owners and intermediaries as well as practical hands on support to work with interested parties to move through the various stages of securing sustainable employee-owned enterprises.

In terms of specific support for growth in particular sectors, the Welsh Government has agreed substantial match funding for the Wales Co-operative Centre led European Regional Development Fund (ERDF) supported Social Business Wales service.

The Social Business Wales service will deliver support to co-operatives, mutuals, social enterprises and employee buy-outs with growth ambitions. Both Business Wales and Social Business Wales have agreed detailed joint working arrangements.

The Welsh Government and the Wales Co-operative Centre have also been working closely together to create a dedicated area for co-operatives, mutuals and social enterprises within the Business Wales website. www.businesswales.gov.wales/socialbusinesswales is the one stop shop for online guidance, tools and advice. Its support is also available to those individuals who are planning to start a social business or just need some information about running an existing one.

A strand within the Social Business Wales project is set aside for the provision of a peer-to-peer mentoring programme. This is for managers of social businesses who could offer and benefit from an exchange of knowledge, skills and advice with a peer. The aim is to strengthen an individual's skills and confidence in order to manage, lead and drive the social business forward through a strategic growth plan. All mentors are drawn from the social business sector.

Members of Development Trusts Association Wales and Social Firms Wales also work as support mentors to emerging community and social enterprises.

Additionally, the Commission notes that specifically within the Communities First Outcomes Framework there are a wide number of priorities, one of which is 'Supporting Enterprise and Time banking and Building Social Capital'. Within this priority, there are a number of performance measures which include:

- Better knowledge for running a social enterprise
- Better knowledge for running a business
- Social Enterprises Established
- Number of people commencing self employment.

Communities First Lead Delivery Bodies are responsible for identifying the key priorities for their Clusters and they have the flexibility to develop structures in their delivery plans which best suit the needs of local circumstances.

4.3. Investment Finance

Recommendations referred to the need for a specific grant and loan fund dedicated to co-operative, mutual and other social enterprises – including earmarked funding for employee buy-outs. Also included was a recommendation that funders and business support providers should work more closely together to understand co-operative

models and, in turn, that co-operatives themselves become more 'investment ready' as appropriate.

Details of types of finance and finance providers that can be accessed by social businesses are available on both the Social Business Wales web pages and on the Finance Zone pages of Business Wales. Information is constantly being updated.

Proposals for a Development Bank for Wales are currently being developed by Finance Wales in conjunction with Welsh Government Officials.

The Minister for Economy Science and Transport asked Robert Lloyd Griffiths, in his capacity as Chair of the Business Wales Strategic Board, to lead a review to consider how the Welsh Government's non-financial support can best align and support the financial support that is available for businesses. The Review focussed on the funding requirements and the issues around investment and lending readiness for Micro and SMEs, as well as co-operatives, mutuals and social enterprises. The Review made a series of recommendations and work is already underway to implement these, including as they relate to Social Business Wales, to ensure businesses, including co-operatives, mutuals and social enterprises, are 'lending ready' and can access the finance they need in order to grow.

The Wales Council for Voluntary Action (WCVA) has developed over time a Community Investment Fund (CIF) to meet some of the funding needs of mutuals and social enterprises – and has worked with the Wales Co-operative Centre (WCC) in its implementation. There would appear to be an opportunity to create an enhanced fund (building on the Community Investment Fund) to meet a wider range of needs of co-operatives, mutuals and social enterprises (including possibly some aspects related to public service changes). This fund would need to collaborate with Social Business Wales. The WCVA also manage elements of funds aimed at social businesses, on behalf of others, including Finance Wales and its Micro Business Loans Fund and the Energy Savings Trust / Ynni'r Fro.

4.4. Land and Assets

Recommendations referred to land and assets in terms of securing 'community benefit' and vital services – specifically proposing the Welsh Government develops legislation to enable communities to list their assets and have right of refusal on their disposal; to undertake further work on asset locking; and to encourage the development of Community Development Finance Institutions to invest in this area.

Issues related to this theme, and to assets generally, are wide-ranging and impact on similarly varied interests of the Welsh Government. For example: –

- the publication of 'Community Asset Transfers in Wales – A Best Practice Guide' by the Minister for Finance and Government Business, aimed at supporting communities as they seek to undertake asset transfers;
- the production of a sector specific 'Community Asset Transfer Toolkit' for sport and leisure facilities by the Deputy Minister for Culture, Sport and Tourism as the pressure on local authority budgets is particularly affecting leisure services;
- the launch by the Minister for Communities and Tackling Poverty of a Consultation Paper on Assets of Community Value provisions in Wales;
- the announcement by the Big Lottery of a second Community Asset Transfer Fund.

In addition a Welsh Government Community Assets Working Group has been established to enhance collaboration across Ministerial portfolio areas. This Group will seek to develop common approaches and messages in relation to assets and to provide robust information and advice linked to a number of Ministerial priority areas. In the immediate term, one of the main priorities from the Group will be to review issues emerging from the Local Government Reform and Assets of Community Value Consultation, together with those raised by the Commission's Report. The agreed role of the Group includes:

- Provision of timely updates on the current policy, guidance and practice developments on community assets across Ministerial portfolios;
- Making recommendations in relation to policy and practice developments;
- Assessing resources, barriers and risks to enable asset transfers; and
- Developing common approaches and shared communications.

Co-operative and mutuals development can benefit considerably from the direct experience of social enterprises that have already worked through similar issues related to assets. In the future it will be important to harness such experience and to ensure such knowledge and expertise can be used going forward – as for example within the Development Trust movement in Wales which seeks to use the experience of its members in a structured way.

The sector has considerable expertise and experience in this area and the Commission notes that it will be important to draw upon their knowledge.

4.5. Procurement

Recommendations referred to the need for specialisms related to co-operative procurement being developed and mainstreamed; ensuring specific reference to co-operatives and mutuals being included in procurement guidance; making 'vigorous' efforts to implement the revised EU rules³ to benefit co-operatives and mutuals; developing the co-operative and mutual supply chain; and establishing a pilot project to demonstrate the potential of an area-based approach to public procurement.

Following the development of the Joint Bidding Guide by Value Wales with the Wales Co-operative Centre and Wales Council for Voluntary Action, a Steering Group has been established. The membership of the group encompasses a wide range from both the buyer and supplier sides and their role is to oversee the eight demonstration projects being implemented and ensure lessons are captured effectively and disseminated. Most of the demonstration projects have been completed during mid-2015 and an action plan has been developed to ensure meaningful engagement across both buyer and supplier communities so the process and approach to joint bidding is widely understood. Considerable experience of co-operative consortia working as related to procurement has been acquired within the Wales Co-operative Centre Business Succession and Consortia project, which is succeeded by the new Social Business Wales Service. In addition, marketing literature has been developed and training courses are now available. Dedicated webpages contain links to all relevant guidance including links to Business Wales and Social Business Wales, for further support.

3 The European Union Procurement Directive 2014/24/EU Regulations 74-77

To ensure the full engagement and commitment of key partners, officials from across the Welsh Government, are forming a group to capitalise on the new provisions within the recently revised EU procurement rules. The new regulations explicitly allow for early market engagement, and therefore entering into discussions with the co-operative and mutuals sector and other expert bodies prior to starting the formal procurement procedure will be essential. This will be especially relevant where collaborative or consortia bids will be required in order for the sector to be able to meet the scope and scale of larger opportunities. Encouraging these practices, early market engagement on the buyer side and collaborative and consortia approaches on the supply side will be a key objective of the Joint Bidding Action Plan.

The Wales Procurement Policy Statement (WPPS) was updated in the summer of 2015. It defines both procurement and value for money in Wales in terms of social, economic and environmental and thereby requires purchasing decisions to balance these along with cost and efficiency saving objectives.

The new European Union Procurement Directive 2014/24/EU came into force in UK law on 26 February 2015. The Directive introduced a 'light touch' regime (Regulations 74-77) that has the potential to support the development of co-operatives, mutuals and social enterprises – including reserving some initial 3-year contracts in order to enable mutuals to develop their commercial capacity and expertise (but only within some sectors including education, healthcare, housing, social work services, library and other cultural services).

When public sector contracts for services are re-tendered, it is not possible to favour employee / customer mutuals within current regulations governing public procurement. However, the reserved contracting provisions set under Article 77 of the new EU procurement regulations are designed to provide a period of up to 3 years for co-operatives or mutuals who win the initial reserved competition to develop their operational and commercial expertise. As part of follow up action to the publication of the 'Social Businesses in Wales: State of the Sector' Report published by the Wales Co-operative Centre and funded by Welsh Government, Welsh Government officials and the Wales Co-operative Centre are working together to encourage all social businesses identified as part of this report to register on the website. This will facilitate an understanding by public sector buyers as to what the sector can supply and who is looking for public sector opportunities.

The definition of 'Supported Businesses', which is one of the options for suppliers when registering on *Sell2Wales*, has changed. Whilst *Sell2Wales* currently defines Supported Businesses as those with a workforce of at least 50% disabled workers, the new Public Contracts Regulations are now defining businesses with at least 30% of its workers coming from 'disadvantaged' groups. Definitions of "Disabled" and "Disadvantaged Workers" are taken from Article 2 of Commission Regulation (EU) No 651/2014 of 17th June 2014.

In Wales, we have added 'severely disadvantaged worker' under our Community Benefits policy. This is taken from Article 2.18 to 2.20 of the Regulation (EC) 800/20083. This should be useful for public sector bodies who wish to target training or recruitment opportunities if this is a feature of the area they cover.

A 'severely disadvantaged worker' is any person who:

“a) has been unemployed for 24 months or more.”

Turning to the specific recommendation with regard to a pilot project, an outline plan has been formed to seek advice from academics working in the social enterprise and procurement fields and to work with the National Procurement Service to explore the potential to develop an all Wales model. Value Wales will draw on the expertise of the Procurement Best Practice Academy and its Creative Procurement Forum with the support of the European Structural Fund funded Home Grown Talent project.

The Social Services and Well-being Act (Wales) 2014 contains a duty to promote service delivery by organisations based on co-operative and mutual principles. This provision within the Act will need to be monitored.

4.6. Intelligence and Innovation

Recommendations referred to ensuring that the Welsh Government Innovation Wales Strategy takes full account of co-operatives and mutuals in its implementation. It also notes the need to ensure the capacity for innovation is embedded within specialist sector support for co-operatives and mutuals.

The Welsh Government has been working with the Wales Co-operative Centre, the Development Trust Association Wales and Social Firms Wales to explore the ways in which third sector organisations can participate fully in innovation support interventions. In addition specific guidance and briefings have been provided to business development officers on Intellectual Property. The Welsh Government have noted opportunities to identify particular needs of mutuals for innovation support and, where compatible with funding requirements, to put in place specific actions. In addition further information is available via the Social Business Wales website.

4.7. Networks and Advocacy

Recommendations referred to a need for the co-operative and mutuals sector to collaborate to develop the capacity for research, policy and strategy related to growing the mutual economy; to form a ‘leaders forum’ and to facilitate networking and awareness-raising. In addition, a recommendation to the Welsh Government proposed embedding the consideration of co-operative and mutual models into legislation and guidance.

The Welsh Government has agreed to support the development of a ‘Mutuals Alliance’. Leading co-operative and mutual organisations have been involved in discussions on its remit. The newly formed ‘Mutuals Alliance’ will be hosted by the Wales Co-operative Centre which will facilitate action in areas related to research, policy development, sector leadership, networking and awareness-raising about mutuals and the benefits they bring amongst key stakeholders, the general public and Government.

The Welsh Government will be providing a seat for a representative from Social Business Wales on its new Business Wales Operations Board.

In addition, applications have been sought from the wider social business sector for a seat on the Business Wales Strategic Board.

4.8. Delivery and Benchmarks

The recommendation referred to the need for further work on developing benchmarks, as part of an enhanced intelligence function.

The Wales Co-operative Centre was funded by the Welsh Government to undertake a mapping exercise of the social enterprise / co-operative sector in Wales. The Report 'Social Businesses in Wales: State of the Sector' was published in June 2015. The Report highlights a strong social enterprise sector in Wales that contributes around £1.7 billion to the national economy and employs around 38,000 people. It also identified that social businesses operate in a range of sectors including the culture and leisure, education, environmental, and health sectors with younger businesses more likely to be in the environmental and creative industries than more mature organisations. It is anticipated that this exercise will be repeated by the Wales Co-operative Centre on a biennial basis to build on the baseline of intelligence gathered.

In terms of awareness levels the Wales Co-operative Centre commissioned attitude research which also provides a benchmark that will allow changes to be tracked over time. Both types of baselines will form a foundation for shaping overarching targets that will have a solid basis for re-examination at various appropriate stages in the future.

5. Additional activity by the Welsh Government

The Welsh Government response to the Commission's request for information on implementing its recommendations for this review also included information on other activity including:

- **Transport** – particularly as related to the Wales and Borders rail franchise (The Commission Report also noted the significance of community transport). An understanding has been reached between the Welsh Government and the Department for Transport that responsibility for rail franchising will be transferred to the Welsh Ministers by January 2017 (subject to the will of Parliament). The Welsh Government's expectation is that the Welsh Ministers will be the franchising authority for the next Wales and Borders rail franchise.

The intention is to establish a wholly-owned, not-for-dividend, company, which can manage the rail franchising process, following the Transfer of Functions Order on rail franchising powers. It is proposed that this company will run the franchising process for the Wales and Borders franchise and will be responsible for the management of the franchise agreement once awarded.

- **Health and Social Care** – Particularly with reference to the Social Services and Well-being (Wales) Act 2014 and the duty it lays down for public bodies to promote co-operatives, mutuals and social enterprises as delivery models. The Department for Health and Social Services is planning to support this process by not only putting in place the legislative framework but also by forming an action plan to project manage an implementation project; to establish a refreshed steering group to help guide the project and to enhance ownership and engagement as well as formal governance arrangements; to link to research; to provide funding for practical support to a small number of model learning projects; to raise awareness in several ways as part of communication activity; and to have a dialogue with the Department of Economy, Science and Transport and Value Wales to secure expertise and experience related to business and procurement. The aim is to secure some joint working in the action plan and advice around planning, promoting and delivering new models of services.
- **Housing** – The sector has demonstrated significant growth not just in the provision of housing but also in the management and development of spin-out mutually-owned services. A Co-operative Housing Stakeholder Group has been established by Welsh Government, made up of organisations from across both the housing and co-operative sectors. The group meet regularly and oversee this policy work and activity.

Revenue funding has been provided by the Welsh Government since 2012/13 for the Wales Co-operative Centre to host a Co-operative Housing Project Manager and manage a call off contract of expert consultants to support emerging co-operative housing projects in Wales. While in 2012 there were 8 pioneer projects, there are now 25 schemes at varying stages of development and over 530 hours of professional support has been delivered. The Welsh Government has also funded the development of three co-operative housing pilot pioneer projects to deliver approximately 100 co-operative homes, the first of which will be delivered by the summer of 2015.

Registered Social Landlords (RSLs) are able to access private sector funding as well as Welsh Government grants. There are a number of pioneer projects across Wales

which have developed schemes through various investment models. Merthyr Valley Homes are a prime example of this where the co-operative is financed using the Local Authorities' prudential borrowing and asset transfers from Merthyr Valley Homes. This has enabled the renovation of a number of flats and co-operative members will occupy the homes when work is completed.

- **Natural Resources** – Welsh Government's Department of Natural Resources has a number of areas of work that directly benefit organisations that are, or work to the same principles as, mutuals and co-operatives. One such area is related to procurement, where the aim is to secure the greatest social and environmental benefit and to present opportunities for social enterprises to participate, including for example within the Arbed and Resource Efficient Wales schemes, the latter being delivered pan-Wales by a consortium of nine social enterprises.

The approach to renewable energy fits closely with the opportunity as perceived by the Commission, with the aim of encouraging development that is appropriate for and acceptable to the communities where they are located, and to retain as much as possible of the benefit from that development within the local community. The Ynni'r Fro scheme is an European Regional Development Fund and Welsh Government funded programme that has supported 106 social enterprises and helped to create twelve new enterprises.

Renew Wales is a Dormant Accounts funded programme that is overseen by the Big Lottery Fund. Renew Wales has provided professional advice and support for communities to set up co-operatives and non-for-profit social enterprises across Wales.

In relation to current legislation (Recommendation 24), Welsh Government's Environment Bill will put in place a legislative framework for the sustainable management of natural resources, including provision for wider powers for Natural Resources Wales (NRW) to adopt a more innovative approach to the delivery of their functions.

Welsh Government evaluations suggest that social enterprises are key players in the delivery of renewable energy projects and necessitate the creation of appropriate legal structures. Community groups however need considerable support in developing these organisations, and in acquiring the necessary experience to operate effectively when acting as a business. As such enterprises tend not to lead to the creation of significant numbers of jobs, it would appear support for their development would be limited in the future – as new European funded support projects will tend to focus primarily on growth and jobs. The Environment (Wales) Bill requirements – pending Royal Assent in 2016 – will provide Natural Resources Wales (NRW) with powers to trial such innovative approaches. There is a case for considering and testing the role of co-operatives and mutuals in taking forward the Payments for Ecosystems Services approach either as representatives of community buying group for ecosystems services, or as sellers of ecosystems services.

6. Options for ensuring ongoing / future delivery and implementation

The question of how implementation happens is as important as what actions are delivered. While delivering aspects of the individual recommendations will produce some results, the key question remains; how to secure the 'step change' envisaged in the Report?

The role for the Welsh Government and other public sector organisations is quite different from the role the sector itself in order to deliver lasting change. The public sector, through legislation, education and supporting infrastructure can provide the policy and legislative framework and infrastructure to encourage a co-operative culture.

Through the use of commissioning and procurement tools and smarter service design, asset locks and service locks, the public sector can establish protocols which encourage and maintain a co-operative ethos.

The meat on the bones, the day-to-day work lives of individuals however must be shaped by the co-operative and mutuals movement in Wales. Key co-operatives and mutuals which truly believe in a mutual and co-operative way of doing business need to step up and deliver the step-change that is required. Leaders from the large successful organisations that operate in Wales also need to come forward and develop and enact the Principle Six Concept, namely sharing their knowledge and expertise, for example by seconding staff to smaller and less mature co-operatives and mutuals at key development stages. The 'Mutuals Alliance' will have a key role in facilitating the co-ordination of activity from within the sector.

The parallel assignment to scope the potential of co-operative and mutuals within the transformation of public services highlights several dimensions that resonate with and are significant to the realisation of the Commission's ambitions:

- There is a clear need for a framework to support transformation in terms of public services and for ensuring the sustainable delivery of the full range of recommendations in the Commission Report. This framework will need to include general and specialist business support, other tools for delivery; practice sharing and ensuring co-ordinated Government policy and sectorial inputs are planned and delivered.
- There is also a recognition that key players within the sector itself need to work consistently and collaboratively, increasingly in proactive and developmental ways; and similarly that within the Welsh Government, active cross-departmental linkages will be essential.
- The full range of types of advice and support that will be needed must also be recognised. While many aspects are already be in place, others are not. For example, public sector bodies will require significant specific support to allow them to make the transition to a mutual model of service delivery, and this needs to be established urgently, as will the significant need to build capabilities and social capital amongst communities and potential participants in co-operatives and mutuals. It will therefore be important to identify ways of tailoring/'programme bending' resources to ensure the full range of support is in place.

- While some aspects of legislation will enable the development of co-operatives, mutuals and social enterprise, for example the Social Services and Well Being (Wales) Act 2014, there is also a need to ensure that the mechanisms for supporting and monitoring its implementation are established.
- Similarly with other key aspects, e.g. procurement, it is important to recognise that securing significant progress is a long term process that often requires a change of mind set / 'culture', that is only secured by painstaking practical action that demonstrates the benefits to all concerned.
- One key element of triggering and securing the 'step change' called for by the Commission and the transformation in public services, is how good practice is identified, distilled and shared. All too often a dimension is taken for granted, but it needs dedicated resources and clear recognition of responsibilities as well as live and practical methods of promotion and dissemination. It also touches on the significant dimension of co-operation related to how co-operatives support others as they develop (referred to as Principle 6 – Co-operation amongst co-operatives). Clearly there is a major role for sector related organisations to take the lead in securing the greatest value from utilising good practice and 'mentoring'.

The links between both the Commission and the recent review into the delivery of public services – 'Is the Feeling Mutual? New Ways of Designing and Delivering Public Services in Wales' are clear. The process of moving to the next stage of implementation for both reports will need to recognise that there are aspects that will need joint planning for example related to the overall scale of ambition and the delivery framework mechanism, as well as to specific dimensions like procurement and advice and support. An action plan has been produced to take forward the potential role of co-operatives and mutuals in public service delivery and is currently being consulted on.

There are also aspects of both agendas that are different for example the wider context of public service changes on one hand and purely commercial elements of co-operative and mutuals development on the other.

The Commission Report emphasised the role of the Welsh Government, other public bodies, co-operatives, mutuals and related organisations themselves (referred to as 'the sector') in ensuring implementation of its recommendations.

As with the Commission Report, the 'Is the Feeling Mutual?' Report recognised the need for a framework of transition involving the sector. The aim is to provide a real basis for significantly increasing the role and engagement of the sector, within a 'Mutuals Alliance', in moving the agenda on to the degree outlined in the Commission Report. Within the Annex to the 'Is the Feeling Mutual?' Report two specific questions are asked with possible responses detailed. *"How can the Support & Development Needs of Alternative Delivery Models be met?"* and *"How do we transform the way we share Good Practice on Alternative Delivery Mechanisms?"* both envisage a role for the 'Mutual Alliance'.

The further implementation of the recommendations from the Commission Report and developing alternative delivery models of public service delivery will, the Commission believe, take Wales forward in achieving its aim of becoming Wales becoming a "co-operative nation".

7. Conclusion

The overall conclusion of this review is that in the year since its publication there has been significant progress in implementing many of the recommendations of our Report. Some of the longer term planning processes related to the Report's recommendations, for example, those linked to implementing new legislation or strategies, are beginning to embed issues relating to co-operative and mutual models into their development. There is high level Welsh Government ministerial buy-in to developing the potential of co-operatives and mutuals in Wales. The Commission would like to see continued high-level and long term commitment from both the Welsh Government and the National Assembly for Wales (cross party) so that any short-term political changes do not adversely affect the priority given to this agenda. In addition, there needs to be a clear link to and fit with the Welsh Government's overarching priorities and to functional areas to ensure joint ownership and to identify how action will deliver generic and functional priorities and outcomes.

While there had been an initial perception that the co-operative and mutual sector itself could do more to respond to the challenges set by the Commission, we are pleased to see clear signs that some of the key sector players are now gearing up jointly to take on increasing intervention and delivery responsibilities. A prime example being the establishment of a 'Mutuals Alliance'. However these factors, in isolation, are unlikely to secure the 'step change' outlined in the Commission's Report. As we have said, each cluster of recommendations within the Commission's Report and the related activities are interlinked and mutually reinforcing. In order therefore to ensure maximum outcomes and benefits from such processes and actions, one key aspect in the next period will be how all long and short-term dimensions are interwoven within a coherent and systemic development and delivery framework.

There would appear to be a need to generate increasing engagement and ownership across Welsh Government departments and functions in order to maximise the potential of co-operatives and mutuals in realising the ambitions of the Welsh Government, as well as to build on the opportunities emerging from public service changes. This view has been endorsed by Keith Edwards in his Report 'Is the Feeling Mutual?' and as demonstrated in the Social Care and Wellbeing (Wales) Act 2014.

The sector will need to fully and continually develop its capacity to contribute to progressing the vision of the Commission. But the key to realising this vision will be that both Welsh Government and the sector will need to continue to work together to deliver practical and tangible outcomes in public services and developing the Welsh economy. It will only be through this joint working and the embedding of co-operative and mutual values will Wales truly become a "co-operative nation".

