



# TRUSTING THE PEOPLE

The case for community-powered conservatism

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### Introduction

### Learning from our history

Politics is unpredictable at the best of times. In 2021 we are in the midst of era-defining changes in the way we live, work and communicate - changes that could upend our politics. What is the right attitude of Conservatives to these changes? How should we - dedicated as we are to stability and conservation as well as to innovation and economic dynamism - manage the challenges of our times? The answer, fittingly for Conservatives, lies in our history. We need to trust the people.

Our greatest leaders have all recognised that the Conservative Party is at its strongest when we have an ambitious agenda to put power into the hands of the British public.

Benjamin Disraeli put his trust in the people by expanding the franchise and deepening democracy. Winston Churchill put his trust in the people to stand up to fascism, even when the United Kingdom stood alone during the war. Margaret Thatcher put her trust in the people to create a dynamic and entrepreneurial economy.

Trusting the people - the phrase was first used as a political slogan by Lord Randolph Churchill, a follower of Disraeli and the father of Winston - runs deep in our party's philosophy.

What divides the conservative from the liberal is that the liberal believes individuals only realise their potential by freeing themselves from the restraints imposed by other people. We believe that people realise their potential through forming strong bonds and attachments to others.

What divides the conservative from the socialist is our belief that loyalty to community and nation are good and meaningful attachments, not the product of false class consciousness or capitalist exploitation.

Britain is a strong nation because of the tapestry of institutions which have emerged organically over time to meet the aspirations and values of the people. These are local as much as they are national. We depend on our Union, our Constitution, our Monarchy, our Armed Forces and our National Health Service. But our communities also depend on a patchwork of interlocking institutions: parish councils, resident associations, charities, churches and other faith groups, post offices, family businesses, pubs and sports clubs.

David Cameron coined a new phrase to express the central Conservative belief in trusting the people. 'The Big Society' was an agenda which Disraeli, Churchill and Thatcher all would have understood.

Over the last decade Conservatives have reformed our public services to put local people in greater control of local services and encouraged new forms of delivery, owned by their users and staff. We have expanded our democracy, through more elected Mayors, neighbourhood planning and the use of referendums to resolve constitutional questions, from voting reform to the future of our Union to EU membership.

We have encouraged responsible business and used the power of private finance to tackle some of our thorniest social and environmental issues. We have changed our welfare system so that people are supported back into work and away from dependence on the state - helping bring about a boom in jobs and employment.

The argument of this essay is that we must not stop here. We must complete the Conservative Party's historic mission to put power and trust into the hands of the British people.

Conservatives in the 19th century empowered people through political reform. In the 20th century we empowered people through economic reform. In the 21st century our mission should be to empower people through reform of the way communities are governed and local decisions are made. The next stage of the Conservative story is community power.

### **Beyond the Big Society**

Trusting the people means giving people real control over the way that local services are run. It means trusting communities to come together to tackle previously insoluble challenges, and putting money into the hands of local groups so that they can develop new solutions and develop local infrastructure. It means trusting that the staff, managers and owners of businesses can use their talent to create companies which improve society and the planet as well as generate profit.

It means going beyond the Big Society, learning from its successes but also its limitations.

Firstly, we should have more confidence. We need to move from a passive, optional 'rights' approach (rights to provide, rights to buy, rights to transfer, rights to challenge, rights to neighbourhood plans, etc.) to a 'do' approach, where community power is the standard model. This means deliberately putting our public services and local assets into the hands of mutuals, social enterprises and charities which are run by local people. It means making neighbourhood planning universal and the ultimate arbiter of local development. It means putting social and environmental responsibilities into the purpose of business, not just into their CSR brochures.

Secondly, we must recognise that change is as much cultural as it is technical. People want to play a role in their communities but feel unsure how to do it and whether others will come along with them. A Conservative Government must invest in changing that culture, creating institutions which can teach and encourage people to play the role they want to.

Thirdly, we must understand that not everyone is starting from the same place. Britain is one nation, but we are not a monoculture. Britain is a web of thousands of places. Therefore trusting the people is not a big bang, but will be a long term project which will require Whitehall to change the way it works and listen to local places about what support they need based on the strengths and assets of those areas.

### **Building on Brexit**

Community power is the logical conclusion of Brexit. People who voted Leave in 2016 voted to take back control not just of our borders and laws, but of our communities and society itself.<sup>1</sup>

We need to do more than pass power from Brussels to Whitehall. We should use the opportunity of Brexit to empower the cities, counties and towns of the UK. But we must also do more than pass power from Whitehall to town halls.

Conservatives need to recognise the deep distrust in which people in our country hold the establishment, and all official sources of power. Therefore we must not confuse trusting the people with trusting another group of professional politicians. While the role of politicians is vital in representing the people, overseeing our government and holding officials to account, we need to move decisively beyond them to empower the practical people who live, work and can make a difference in local places.

There are millions of them. They are the 'civic core' of 12m people who regularly volunteer in their communities every year. They are the 5.1m family-owned businesses in the UK that are the economic and social backbone of many places. They are the 3m people who stepped up during the pandemic to take part in Mutual Aid Groups.<sup>2</sup>

Despite the pessimism that exists about the future of our society in the digital age, we believe that there is potential to expand these numbers even more if people are given the right support and opportunity to contribute.

One example, the Big Local programme, shows the potential of what can be achieved. Since 2012, this programme has given groups of neighbours in each of 150 places £1m to improve their neighbourhoods. The results have been remarkable and show that if you give people the power to change their communities, we can reach across divides of politics, class or education

<sup>1 &#</sup>x27;Red Wall' voters like where they live, want more places to meet and support for the young, Survation, October 2020

<sup>2</sup> Communities vs. Coronavirus: The Rise of Mutual Aid, New Local, July 2020 p.11

and bring people together. Big Local groups are not the 'usual suspects' in many cases, but people who have been inspired by the opportunity to make decisions about the future of their neighbourhood.

Here we have the core of what should be the Conservatives' social agenda for our time in office. It will require strong political leadership, but it also requires a strong set of principles - which is what we have. Only the Conservatives have the political tradition to be able to truly trust the people.

# Chapter 1. Trusting the people to transform our public services

#### The sources of the welfare state

At the last Conservative Party Conference, the Prime Minister gave a speech unlike anything his predecessors would have given. He said:

"[t]he only way to ensure true resilience and long term prosperity is to raise the overall productivity of the country – and the bedrock of national productivity is of course something that we are responsible for, having great public services on which everyone – families, business, investors – can rely."

In a paragraph, the Prime Minister overturned several decades of Conservative orthodoxy, and hit the nail on the head.

For the past forty years, we have spoken about public services as if they are a consequence of a thriving economy rather than an essential contributor to it. Where we have spoken about public services, the aim has been to keep a limit on public spending rather than thinking about their vital contribution to our quality of life, our economic prosperity and the values of our country. Now this has changed.

However, while major investment in the public services, not least in response to the pandemic, has been necessary, we cannot just assume that signing big cheques to the NHS or our schools is going to lead to transformative improvements. People will judge us on results, not just how much we spend.

For the first time in several generations, the Conservative Party can be confident in leading the debate on the future of our public services. Our funding commitments mean that people know we value our public services. This means that we have some credibility when we say that alongside investment must go reform.

In recent years governments of all political parties have focused too much on a transactional view of public services. This view has seen the primary responsibility of the citizen as just paying their taxes, with the state in return delivering services. The political pendulum has swung between delivery by public agencies and private companies, but in reality the culture and approach has never changed. Our public services are frequently overcentralised, unresponsive, bureaucratic and disempowering of the people who use and work in them.

This culture runs against the whole history of the development of public services in Britain. The NHS was not dreamed up in Whitehall. It was the result of community power. The Tredegar Workmen's Medical Aid Society and the Scottish Highlands Islands Medical Service created services which worked so well that they inspired government to emulate the model nationally.<sup>3</sup>

There is a difference between the state pooling risk, driving higher standards and ensuring fair access to services, and the large bureaucracies which have developed over the past 75 years. Even William Beveridge, intellectual godfather of the modern welfare state, believed that it was critical that state delivery did not prevent 'voluntary action' which was the mark of free and empowered citizens.<sup>4</sup> It is this spirit, which we call community power, that we must revitalise.

### Radical help

When we speak of reform, we do not mean privatisation or cutting back on services but trusting the people and putting them in greater control.

The good news is that on the ground, people and councils have started to see that an alternative is necessary and are working to put power back into the hands of people.

<sup>3</sup> Why the south Wales town that forged the NHS now points to its future, Kim Thomas, May 2018

<sup>4</sup> Voluntary Action: A Report on Methods of Social Advance, William Beveridge, 1948

The Wigan Deal, launched in 2011, has pioneered a new way of delivering public services. Faced with rising demand and limited financial resources, Wigan Council recognised that there had to be a shift in behaviour.

The Deal made with local residents was that the council would listen to and work with them to use their assets, skills and networks to improve services, keeping council tax low and balancing the books. In return, local residents would have to take more responsibility to keep themselves healthier, get involved locally and make local places greener.

The Deal has been a success, saving £115m over the past decade. The King's Fund has independently evaluated the area and found life expectancy rising, bucking the national trend for stagnation, and higher quality social care. Wigan has even managed something unique, to run a surplus on its social care budget. As we face the demographic challenge of a rapidly aging population, we should take this approach seriously.<sup>5</sup>

Fleetwood in Lancashire has traditionally seen high levels of deprivation and has a life expectancy significantly lower than the national average. A new approach was needed to improve outcomes. A new community-led initiative, Healthier Fleetwood, has seen GPs, health and care services working with local community groups to create a better service for local people. This partnership approach has led to residents being encouraged to take part in activities from sport, singing and mental health sessions to proactively manage their health and prevent illness from developing. This approach has now been championed by NHS England as part of its Long Term Plan for the future of our health service.

Increasingly, the NHS has recognised the power of so-called "social prescribing" which encourages residents and patients to take part in community-powered services from physical activities, befriending services and voluntary action. In Rotherham, where the local Clinical Commissioning

 $<sup>{</sup>f 5}\,$  A citizen-led approach to health and care: Lessons from the Wigan Deal, Chris Naylor et al, June 2019

<sup>6 &#</sup>x27;Folks have lost half their body weight by singing.' The GP doing things differently, New Local, May 2021

<sup>7</sup> The NHS Long Term Plan, NHS England, January 2019 p.25

Group invested in social prescribing, the results from this community-powered approach have been extraordinary. Inpatient admissions reduced by as much as 21%, A&E admissions reduced by as much as a fifth, outpatient admissions reduced by a similar level and even greater reductions were identified for patients who were referred to local community services. Over five years, it is conservatively estimated that the local NHS could save around £1m a year – a return on investment of £1.98 for every pound spent on the service.<sup>8</sup>

New models of delivering public services, such as social enterprises which give more power to patients, communities and staff have also proved successful. Bevan Healthcare, a social enterprise in Bradford, was set up by twelve staff who left Bradford Primary Care Trust to deliver better primary care and support to homeless people. The aim was to provide more flexible and responsive services for deprived groups and to move away from reactive health care, towards more holistic approaches for deprived groups.

Over the past nine years, Bevan Healthcare has established new primary care centres for deprived groups in Bradford and Leeds, established a mobile primary care clinic that visits homeless shelters, set up late-night primary care clinics and used lottery funding to develop a new wellbeing centre for people who are homeless in Bradford. Its primary care clinics for these groups are now considered amongst the best in England and a model that has been referenced for the whole system by NHS England.<sup>9</sup>

We need to trust the people, both those in our community that want to run and provide help to their fellow residents and also the public service professionals that can see that our current model is not working.

Hilary Cottam has called this "radical help". Her key insight is that 75 years after the creation of the Welfare State, many of the problems that we face are not clinical but are social and relational. Simply providing drugs or treatment is not enough. We need to strengthen the relationships between people and trust in them to help each other. What Cottam has found, as in

<sup>8</sup> The Rotherham Social Prescribing Service for People with Long-Term Health Conditions, Sheffield Hallam University, December 2015

<sup>9</sup> The NHS Long Term Plan, NHS England, January 2019 p.43

Wigan, Rotherham and Fleetwood is that when we strengthen the community around us, we can achieve transformational results.<sup>10</sup>

Relational delivery of public services will make it easier to bring people together in a new system of public services. New Local's *The Community Paradigm* has shown how participatory budgets and collaborative commissioning within places will enable people to come together to take decisions and action for themselves. Rather than treating individuals as isolated from each other, a community power approach strengthens collective action at a community level.<sup>11</sup>

### The governance of local services

Health and care are not the only areas where this approach can have significant benefits. Conservatives also need to reconsider one of the biggest successes in education over the past decade, the development of free schools. New research by the National Foundation for Educational Research has shown that free schools were the top performing type of school at GCSE level and the highest performing post-16 providers. They were also more popular with parents than the closest neighbouring schools and more likely to be rated Outstanding by Ofsted.<sup>12</sup>

These results are not because free schools are creaming off the best pupils in the area. The same research found that pupils at free schools were more likely to come from a disadvantaged background and less likely to speak English as a first language. Opening up our education system to new entrants and alternative providers has improved results overall, and for the most disadvantaged pupils the most.

This is not an argument for cutting back services or leaving people to fend for themselves. It is an argument for changing the way that we deliver services. As Cottam has noted, the state has a critical role to play in pooling

<sup>10</sup> Radical Help: How we can remake the relationships between us and revolutionise the welfare state, Hllary Cottam, June 2018

<sup>11</sup> The Community Paradigm: Why Public Services Need Radical Change And How It Can Be Achieved, Adam Lent & Jessica Studdert February 2019

<sup>12</sup> Free Schools: The Formative First Ten Years, National Foundation for Educational Research, February 2021 p.iii

risk, ensuring that investment reaches communities that need it and also creating the enabling environment for community power. But it will require new ways of working which will confront existing orthodoxies. Politicians and officials must not shy away from the change. We need the state to step up, not step back.

The crucial first step is to break the "consultation" mindset, where decisions are already made and presented to local communities to be rubber stamped. Instead, we need to identify what networks and assets are already in local places and build on those to shape services that meet the aspirations of communities and are sensitive to the needs of the place. This is the model that has worked in places such as Wigan and is being picked up across the country from Labour-run Wakefield to Conservative-run Warwickshire.<sup>13</sup>

The development of public service mutuals has been one of the biggest successes in public service delivery over the past decade through a combination of empowering staff, engaging local communities and cutting red tape. Mutuals are staff-owned, with many spinning out of the public sector, but engage service users and communities in their decision making. At least 85 mutuals have been created in areas such as adult social care, health and education. This different approach to governing local services has created strong results. Research commissioned by DCMS found that unlike many of their peers in the public sector, these mutuals have found ways to be financially sustainable through higher levels of productivity, innovation and adaptation. In social care, to take one example, mutual run care services are less likely to be rated as inadequate or requiring improvement than those run by private companies or councils.

Alongside greater power and investment, therefore, we also need more radical forms of governance and transparency. This means embracing tools such as Open Book Accounting for organisations that receive public funding so that local people can see how organisations are spending their money

<sup>13</sup> The Community Paradigm: Why Public Services Need Radical Change And How It Can Be Achieved, Adam Lent & Jessica Studdert, February 2019

<sup>14</sup> Public Service Mutuals, Social Enterprise UK, April 2019

<sup>15</sup> Ethical Care: A Bold Agenda for Adult Social Care, IPPR, November 2019

and ensure that public funds are not being siphoned away by organisations but go into real change.<sup>16</sup>

It means creating 'real-time' regulation and oversight, so that places where there are abuses of power can be investigated quickly, and to prevent new monopolies emerging rather than waiting years for action to be taken. This would mean investing in organisations such as the Charity Commission and CIC Regulator.

Community means many things, not just the formal institutions such as local charities, faith groups and PTAs but also informal groups such as ad-hoc groups that come together to manage common spaces or neighbourhood message boards and Whats App groups.

The worst of all worlds would be for the state to strictly delineate what "community" means. We need to take an inclusive approach that opens the door to engagement with everyone whether they are a formally constituted group or an informal gathering of neighbours.

No government document can spell out what engagement means. It is something that is discovered in practice and constantly improved upon. What a government can do is to set the right tone and to give a clear expectation about how it expects all public bodies to act to encourage community action.

### A responsible society

The current model of public service delivery has left many people and communities feeling powerless or dependent on the state to initiate action. This model will not help us to overcome the social, economic and environmental challenges that our places face.

The pandemic has concentrated power in the hands of central government to a level not seen since the war. This has been necessary, and the state has helped to avoid mass unemployment and successfully rolled out

vaccines. The temptation will be for politicians and officials to continue to centralise, sucking power away from local government and communities and concentrating it in Whitehall, just as we saw after both world wars.

The better alternative is to identify and encourage the real source of power during this pandemic, which is the solidarity that people have shown for their communities and their country.

This solidarity was demonstrated by the 4,000 Mutual Aid Groups which sprang up throughout the country during the past year, mobilising as many as three million people according to research by New Local; by the 750,000 people that signed up to the NHS Volunteer Scheme when the call was given, three times more than was expected and five times more than was needed; and by the thousands of businesses that have donated money, staff time and the use of their facilities to local projects.<sup>17</sup>

These principled and practical people can become the national movement that we need to renew our places and our public services. They are embedded in their communities and unencumbered by previous ways of doing things. They are able to try new ways to reach people and can complement the state's delivery of acute and emergency services. All they need is the patient investment and infrastructure to help them to succeed.

We must see the centralisation that resulted from the pandemic as an exception, a necessity rather than a model. This new road for Britain would seek to tap into the public appetite to do something to help the recovery from COVID and channel that into local action, encouraging the formation of new groups and institutions to tackle our biggest challenges, from the obesity crisis to the loneliness epidemic. To do this we need to put money and power into the hands of these citizen-led initiatives and give them the backing of the state.

#### Real devolution

The core of any new community-powered Conservativism must be an ambitious programme of devolution. Westminster cannot hope to administer a community-powered future from the centre. In places such as Wigan, Fleetwood, East Ayrshire and Rotherham the key has been to give power and finance to local government and agencies who can provide a clear point of contact for the wider community.

It also means moving from emergency response to prevention. The key to success in all these places is that they have seen the need to get upstream and tackle social and environmental problems at their source rather than wait for things to go bad. This requires leadership and with short-term political cycles, there is always an incentive to focus on what is expedient rather than what solves problems in the longer term.

It also means that we need to change the funding model of services to incentivise prevention. Place-based budgeting is one solution. A study by Ernst & Young in January 2013 found that place-based budgets, which pool together local public service funding in an area around shared objectives and allow for more flexibility on how money is spent on different agencies, could save up to £20bn over a five year period based on pilots taking place around the country.<sup>18</sup>

Rather than seeing money flow out of local areas if they are successful, we should create a model to share savings with local areas. If a local town or area knows that in saving money through preventive public services, it can keep half of that money to spend on whatever it likes locally, that will generate far more interest and local buy-in. Rather than seeing the sustainability of the public finances as purely the responsibility of Westminster, we need local places to see the value for them in taking the lead.

With Brexit done and light at the end of the tunnel from the pandemic, the Conservatives need to return to their devolving instincts.

Crucially, however, devolution to local councils is not enough. We need a 'double devolution' of power from local councils into the hands of local people.

# Community power in action – Essex Council & Essex Recovery Foundation

Conservative run Essex Council has decided to take a different path to tackling drug and alcohol addiction, giving power to local people.

Rates of hospital admission related to alcohol in parts of Essex are higher than the average across England, with admissions in Colchester at 723 per 100,000 of the population compared to 636 across England as a whole (2016/17 data).

Collectively drug and alcohol addiction is costing the state hundreds of millions a year, through increased demand for health services, links to criminal activity and unemployment.

Rather than a traditional model which would put more emphasis on state action, Essex Council is setting up the Essex Recovery Foundation, an independent charity run by local people recovering from drug and alcohol addiction, as well as experts. This independent charity will commission and select drug and alcohol recovery services across the county.

The aim is to provide a credible organisation that local people can engage with, with no stigma attached as well as an independent and consistent focus on tackling the issue.

After years of having power withheld from them by central government, there is a big risk that any devolution settlement will see any new power jealously guarded by local authorities. But we must remember that the aim of devolution is not to turn the Town Hall into a local version of Whitehall. The aim of

devolution is to instil a new culture into our governance and to put power into the hands of the people.

There is a model for government in the way that City Deals have been carried out in some parts of the country. The concept of a City Deal is a simple one where areas would be given additional powers and funding in return for setting agreed upon objectives.

We need a similar approach to community power. One suggestion is that more power and funding should be given to local councils, but in return for this power, councils should have to agree "Community Covenants" for their local areas. These covenants would be modelled on successful approaches, such as the Wigan Deal, with local councils committing to investing in and supporting community power. They should be built not just with councillors or public sector bodies but with local people through meaningful engagement, both in public meetings and through online methods. Within each area, space should be given for local neighbourhoods to build and adapt their own covenants. A similar proposal has been put forward by Onward in their recent *Turnaround* report.<sup>19</sup>

Whitehall's job will be to monitor these covenants and ensure that they are being implemented, with consequences for funding if they fail to take steps to transfer power into the hands of local communities. Local people should be empowered to challenge these Community Covenants if they believe they are failing their area and should be reviewed at least once a decade to ensure that they remain relevant.

This will require an upskilling and empowerment of local government. Engaging with communities will take time and we need local government to be able to undertake that engagement. The Cabinet Office has experimented with models such as the Commissioning Academy to improve the way that local government and agencies commission and procure local services. We need a Community Power Academy if we are going to successfully upskill local government to be able to build effective relationships with local communities.

<sup>19</sup> Turnaround: How to regenerate Britain's less prosperous communities by helping them take back control, Onward, September 2021 p.4

### **Building on local assets - Derby City Council & Local Area Coordinators**

Conservative-run Derby City Council has been experimenting with 'Local Area Coordinators' for nearly a decade.

Local Area Coordination is an asset-based approach, drawing on people's skills, strengths and interests to identify their goals and vision for a 'good life'. Coordinators "walk alongside" a person to identify how friends, family and wider networks can help achieve their goals, before considering the role of statutory or commissioned services.

Independent evaluation of the Local Area Coordination approach by Kingfishers found that this approach provided significant benefits to the local community and encouraged higher levels of self-reliance. Overall, Kingfisher estimated that for every £1 that was invested in the scheme, £4 of social value was created.

The benefits of the Local Area Coordination approach have encouraged the council to expand the approach to support young people that left care. A similar approach has also been taken by Conservative-run Thurrock.<sup>20</sup>

This would be based upon the lessons that we have learnt from the successful implementation of community power which, as highlighted by New Local's research *The Community Paradigm* would include greater participatory and deliberative decision-making, collaborative delivery of public services and greater community involvement in commissioning.

While we need to be flexible and allow for local variation, the lesson from the past is that we cannot allow places to opt-out of community power and continue with business as usual. Every area should have a Community Covenant in place, with a clear plan for encouraging community power by the end of the Parliament. Central government should be prepared to invest in the creation of these Covenants to unlock the power and engagement of local places which will save money over the long term.

# Chapter 2. Trusting the people to run a stronger economy

### **Public spending**

Despite the efforts of governments over forty years to tightly control public spending, keep the tax burden low and to provide a light-touch regulatory regime, the size of the state, the size of our tax bill and the size of our debt burden has increased.

When Margaret Thatcher was elected Prime Minister, the UK tax to GDP ratio was 30.6%. By 1997, the situation was little different, with tax to GDP sitting at 30.2%. By the end of the Blair-Brown Ministries the tax to GDP ratio had come up to 32.7%. Even before COVID, tax to GDP had risen to 33.4% of GDP. Now, according to the IFS, after a decade of Conservative-led governments, the UK tax to GDP ratio will be 35%, the highest sustained level of tax since the Second World War.

Unsurprisingly, the state has not got smaller over this time. In 2020-21 government spending will be just under 42% of GDP, similar to the levels in 1979. Public sector debt has also risen from 45% in 1979/80 to 80% in 2018/19, before COVID.

Public spending can only be reduced if the demand for this spending – people's need for expensive healthcare, social care and welfare – is reduced first.

We need a new approach and as with public services, we need to trust the people. More specifically, we need to trust the entrepreneurs, leaders, managers and staff of UK plc.

#### **Better businesses**

Quite rightly, in the wake of Brexit, the government is considering how we can maximise the impact of public spending to level up the country, including using public procurement budgets to drive growth in less prosperous regions.

The UK's medium and large businesses, those that employ more than 50 employees, turn over three times as much as the entire UK Budget. They also employ two and half times as many people as the public sector. These 44,000 companies collectively have a far greater economic power than the British Government.

The decisions that these businesses make in the wake of the pandemic will determine the type of recovery we have and the future of our local communities.

Like everyone else, the people who work in the private sector live in neighbourhoods and many feel a sense of belonging to the areas that they work in. The problem is that our economic system discourages businesses from fulfilling their responsibilities to our communities and the nation.

Our financial institutions are focused on short-term profitability rather than long-term value creation. Competition policy likewise rewards the externalising of costs and discourages innovation. The tax system is indifferent to whether a firm puts back into society.<sup>21</sup>

Not only does this approach lead to lower levels of growth and prosperity. It also means that we are not tapping into the innovation and ingenuity of our business community. We are trying to fight the biggest challenges of our time with one arm tied behind our back.

The solution is simple. We must put the community and the citizen back at the heart of business. We need to remodel our economic institutions to put the values of ordinary people, rather than the abstract forces of finance, at the centre of decision making.

<sup>21</sup> Bounce back Britain: COVID-19 economic response and learning the policy lessons from the financial crisis, Social Market Foundation & Social Enterprise UK, June 2020

There are enlightened businesses that have shown the way forward and many more that can be encouraged to follow them. Nationwide, the largest building society in the world, has been finding ways to bring people and business together. Their first housing development in over a hundred years, Oakfield, has been led by the local community in Swindon. Nationwide hired a community organiser to reach people who had never been involved in planning and decision making before to ensure that the development felt owned by the community. Oakfield is a model which other developers and businesses can take forward.

Nationwide are not alone. Timpson's have hired over 1,500 ex-offenders since 2008, helping to give people a second chance and avoid a return to crime. The Co-operative Group has put tackling food poverty at the core of their business. But we are not going to get more businesses like this by accident. We need to put in place a framework which encourages businesses to see themselves as active citizens in our society.

Many of the businesses that contribute the most to society are employee-owned and have shown the value of a governance model which aligns the interests of staff and shareholders. The Nuttall Review in 2012, for example, found that employee-owned businesses have higher levels of productivity and growth than other companies.<sup>22</sup> It also noted that there was "proven research" that employee-ownership generated broader benefits to employee well-being and to the wider community.<sup>23</sup>

We need to look again at the incentives to encourage employee-ownership and policies such as Employee Ownership Trusts which have not been taken up as much as they could have been.<sup>24</sup> We should also consider other market incentives, such as lower corporation tax, for companies that share wealth and control with their staff.<sup>25</sup>

<sup>22</sup> Sharing Success: The Nuttall Review of Employee Ownership, July 2012 p.23

<sup>23</sup> Ibid. p.33

<sup>24</sup> There are currently only 567 Employee Ownership Trusts in the UK. See "What the Evidence Tells Us", Employee Ownership Association, accessed September 2021

<sup>25</sup> Bounce back Britain: COVID-19 economic response and learning the policy lessons from the financial crisis, Social Market Foundation & Social Enterprise UK, June 2020 p.30

We need to encourage the growing wave of social enterprises and community businesses. There are now over 100,000 of these businesses in the UK, employing 2m people.<sup>26</sup> These are businesses which are reinvesting their profits back into their local places, hiring disadvantaged people and protecting the environment. COVID has encouraged a new wave of these businesses, with a 15% increase in the number of Community Interest Companies in the past 12 months alone – four times the rate of the rest of the private sector.<sup>27</sup> People want to build back better and are increasingly setting up businesses with that purpose in mind.

There are a diverse range of social enterprises and community businesses cutting across sectors. For example Giroscope, a social enterprise in Hull, trains local people who are far from the labour market to renovate disused houses, providing work placements for over 140 people last year. This included ex-offenders, young people, the long term unemployed and people with mental health problems or learning difficulties. Giroscope is an example of how business can be used to tackle multiple challenges, from our housing shortage to spreading opportunity to those from disadvantaged backgrounds.

The Sewing Rooms is another example based in Skelmersdale, West Lancashire, a 1960s "planned town" with significant pockets of deprivation. The Sewing Rooms trains vulnerable people – victims of domestic abuse, the long term unemployed, ex-offenders – to manufacture soft furnishing, accessories, and bespoke upholstery for their public and corporate clients. The Sewing Rooms has worked with over 4,000 people and trained 130 exoffenders. Now employing 15 people, they have switched to manufacturing coronavirus retardant face masks using crowdfunding during lockdown. With the boost to demand, they hope to take on another 5 employees which would increase their staffing levels by over one third.

We also need to support our family businesses, many of which are pillars of their local community and have made significant contributions to our economy. There are 5m family businesses in the UK, employing 14m

<sup>26</sup> The Hidden Revolution, Social Enterprise UK, October 2018

<sup>27</sup> Analysis of CIC Regulator data, September 2021

people.<sup>28</sup> Taken together these businesses produce 31% of UK GDP.<sup>29</sup> Worryingly, however, according to the New Economics Foundation over the past three years 120,000 of these firms have seen their owners consider retiring or selling up.<sup>30</sup> This is both a risk to local places, but also a huge opportunity to expand community ownership of business and bring in a new generation of entrepreneurs.

But we also need to do more to support family businesses and to ensure that they are able to survive and thrive in our modern economy. Research suggests that family businesses are more likely to seek non-economic goals and take greater care over their local environment than other forms of business, critical at a time when we need businesses to contribute to levelling up and Net Zero.<sup>31</sup>

### Role of government

The operational and commercial decision making of our businesses has far more impact on society and our economy than their charitable programmes. Decisions about hiring, investing and buying British are more important than a few million pounds donated to good causes every year. We need our businesses to act like citizens, with an active role to play, rather than seeing their contribution purely through paying their taxes, or a few person-hours given by corporate volunteers.

There are numerous policy levers at our disposal. We need to look again at the governance of our companies, to encourage every business to be a good citizen. The campaign for a 'Better Business Act' which would change s172 of the Companies Act to put in a stronger commitment to social and environmental purpose has received backing from the Institute for Directors and over 700 UK businesses.<sup>32</sup>

<sup>28</sup> About Family Business, Institute for Family Business, accessed September 2021

 $<sup>{\</sup>bf 29}\,$  The State of the Nation: The UK Family Business Sector 2019-20, Oxford Economics & Institute for Family Business, May 2020

 $<sup>{\</sup>bf 30}\,$  Co-operatives Unleashed: Doubling the size of the UK's Co-operative Sector, New Economics Foundation, July 2018 p.4

<sup>31 &</sup>quot;The economics of COVID-19: Initial Empirical Evidence on How Family Firms in Five European Countries Cope with the Corona Crisis". International Journal of Entrepreneurial Behavior & Research, May 2020

<sup>32</sup> betterbusinessact.org, accessed September 2021

We have seen in recent years the pressure that private equity has put on British companies to prioritise the short-term profitability of business over long term value creation. We need to empower business owners to resist that pressure by looking at the regulation and transparency of takeovers and ensure that directors' duties focus on doing the right thing for the company and creating rather than extracting value.<sup>33</sup>

### **Purpose drives profits**

By embedding business more fully into society, we can achieve higher levels of growth and productivity.

Research has been growing since the 1990s that embedding a mission beyond profit into the business leads to better financial and economic performance. In the early 1990s, Jim Collins and Jerry Porras found that "visionary companies" (guided with a purpose beyond making money) returned six times more to shareholders than explicitly profit-driven rivals.<sup>34</sup> A 2015 report by the Harvard Business Review, *The Business Case for Purpose*, found that 53% of executives who said their organisation had a purpose beyond profit, believed that their company had greater success with regards to innovation and transformation efforts compared those that said that they had no purpose beyond profit.<sup>35</sup>

Socially-motivated business models such as social enterprise have regularly reported higher levels of innovation and investment than those of other forms of business and achieve higher levels of growth as a consequence. For example, the latest data found that half of UK social enterprises had grown their turnover before COVID, compared to just a third of SMEs overall. <sup>36</sup> Similar higher levels of growth have been found within B-Corps, businesses which explicitly seek both profit and a wider social and environmental purpose. British B-Corp's grew their turnover by 15% between 2017 and 2019, compared to an average of 3% for all SMEs. <sup>37</sup>

<sup>33</sup> Principles for Purposeful Business: How to deliver the framework for the Future of the Corporation, British Academy, November 2019

<sup>34</sup> Built to Last: Successful Habits of Visionary Companies, Jim Collins & Jerry Porras, October 1994

<sup>35</sup> The Business Case for Purpose, Harvard Business Review, October 2015 p.3

<sup>36</sup> State of Social Enterprise 2019, Social Enterprise UK, October 2019

<sup>37</sup> How do UK B Corps perform?, B Lab United Kingdom, accessed September 2021

A growing convergence is taking place around greater levels of employee engagement and social purpose. Research from the United States found that employee-owned B Corps outperformed their non-employee owned peers.<sup>38</sup> Britain has an opportunity to build on our traditions of social responsibility, employee ownership and innovation to create the models of the future.

# Chapter 3. Trusting the people to build stronger local communities

### **Beyond economism**

The past decade has seen a growing understanding of the power of community in our lives.

People want the benefits of global culture, trade and travel, but this does not mean that they have stopped caring about the places where they live. The myth of globalisation, that people were on the cusp of rejecting their sense of belonging and loyalty to their local community or their country has been shattered.

Research by Opinium commissioned by the National Lottery Community Fund last year found that 69% of people felt part of their local community and over a third (35%) said that COVID had made them feel even more part of that community.<sup>39</sup> With a move towards more hybrid working patterns where people will be even more closely tied to their neighbourhood, this is not a trend that is going to disappear. Place is here to stay.

As Conservatives we should welcome this understanding about the importance of communities. Some people like to dismiss us as parochial for showing loyalty to our neighbourhoods, villages, towns and cities. Worrying about keeping a local high street open may seem a limited ambition when compared with 'building back better' after the pandemic or global challenges like climate change. But this ignores the power of place.

There is no route to tackling the biggest issues of our time which does not depend on community action. Just as importantly, people will judge the country's success in dealing with those big picture problems by the change that they see in their own local area.

Crucially, important as they are, this is about more than financial investment or economic infrastructure. As pointed out in the last section, previous government-led efforts to address spatial inequality have failed for this reason. A recently published analysis by the Institute for Community Studies into government policies to reduce regional inequality since 2000 found that they had made 0% change to levels of spatial inequality. In effect, we have not made any progress to levelling up through a state driven approach.<sup>40</sup>

The success of the Conservative Party in 2019 was because people want a vision for the future which appeals to more than just their wallets, but also their sense of pride and loyalty to their nation. They want to feel part of something bigger than themselves.

As a country, we have too often hoped that if we get the economic fundamentals right, everything else will be sorted. This mindset has concluded that the only way to strengthen local places is through private enterprise and physical infrastructure.

At its heart is a confusion about the foundations of a strong society, and as a consequence, a strong economy. Places are not wealthier and happier and therefore have a high density of local civic institutions. They are wealthier and happier *because* they have a high density of local civic institutions. A vibrant, rich community life is the foundation for everything else. It is when people trust each other, feel pride and are willing to take risks that they create the institutions, businesses and organisations that make a place successful.<sup>41</sup>

Historically, it was our strong civil society that enabled the industrial revolution to take place first in Britain. As the economist Joel Mokyr has persuasively argued, it was a 'cultural revolution' that turbocharged the growth of British science, business and technology. Our social infrastructure, the hundreds of clubs, societies, churches and periodicals enabled by our free political institutions paved the way for the economic dynamism of the past two hundred years.<sup>42</sup>

<sup>40</sup> Why don't they ask us?": The role of communities in levelling up, Institute for Community Studies, July 2021

<sup>41</sup> Social Capital and Poverty, Paul Collier, December 1998

<sup>42</sup> A Culture of Growth: The origins of the modern economy, Joel Mokyr, 2016

This is not just a British story, but a global one. Alexis de Tocqueville demonstrated the importance of a strong civil society in the success of the United States in the 19<sup>th</sup> Century.<sup>43</sup> In more recent times, Robert Putnam outlined in *Making Democracy Work* how the presence of a more active civil society in the North of Italy, made it the economic powerhouse of that nation. Weaker institutions in the South paved the way for social division and economic distress.<sup>44</sup>

The importance of culture and strong social bonds has been well understood in economic circles all the way back to Adam Smith. In broad terms, these institutions pave the way for higher levels of prosperity in three ways.

Firstly, by increasing trust and cooperation which encourages business activity and leads to well-functioning markets. Secondly, by creating a spirit of public conscientiousness which reduces free-riding and enables markets to perform effectively. Thirdly, through the values that it inculcates in the population and the possibilities that it opens up. As Mokyr and others have written, a belief in progress itself is critical to encouraging people to make the initial jump to set up a business, innovate or take up a new project.

### The loss of social infrastructure

The evidence is clear that those places with a richer set of civic institutions are economically better off and happier than those that lack them.

Research on behalf of the All-Party Parliamentary Group on Left-Behind Neighbourhoods found that the poorest neighbourhoods have lower densities of community spaces, cultural assets, sports and leisure facilities and green spaces. <sup>45</sup> Oxford Consultants for Social Inclusion (OSCI) and Local Trust have identified 225 wards across England which they believe are the most 'left behind' wards on the basis that they are amongst the most deprived but they also lack access places and spaces to meet, community organisations and activities and connectivity – digital and physical. Across

<sup>43</sup> Democracy in America, Alexis de Tocqueville, trans. Henry Reeve, ed. Phillips Bradley, 1994

<sup>44</sup> Making Democracy Work: Civic Traditions in Modern Italy, Robert Putnam, 1994

<sup>45</sup> Left behind? Understanding communities on the edge, Oxford Consultants for Social Inclusion & Local Trust, September 2019

England they are home to 2.2m people. Unsurprisingly, these places are concentrated in the North of England, with the North East having the highest concentration of left-behind areas.

This is not just an isolated finding. Onward's *State of our Social Fabric* research found that those places which had a higher density of charities, pubs, churches and other civic institutions were located in the commuter belt around London with a lack of institutions in our industrial towns, exmining villages and coastal communities. It noted that although "these places have often been considered economically left behind...their scores are as much driven by fraying communities, with low scores for Positive Social Norms, Civic Institutions and Relationships."

However, a lack of social infrastructure is a problem not just for one part of the country. In all our constituencies, we see pockets of left-behind places. This agenda should not be seen as the South bailing out the North, or cities bailing out towns, but as a response to a truly national challenge.

The statistics on the deterioration of our social infrastructure are stark.

A quarter of all pubs, a quarter of all post offices, and a fifth of all libraries have closed since the turn of the century. The much lamented decline of the high street, with the replacement of indigenous local retailers by chain stores, discount stores or empty shops, has further hollowed out the public spaces and gathering places of our communities.<sup>46</sup>

### People in charge

Social capital, like other forms of capital, needs to be replenished and invested in over time. In Britain, we have spent the past fifty years spending down on a stock of social and cultural capital which was accumulated over centuries. We cannot free ride on our ancestors any longer. We must take greater responsibility for our social and cultural infrastructure.

Investment programmes such as the Levelling Up Fund and the Towns Fund are part of the solution. However, it is not merely a question of budgets and investment.

At the core of community-powered Conservatism is giving people direct control over this funding and enabling them to develop the solutions that work for their local places. Money does not solve all problems, and if invested poorly there is a risk that it creates new grievances.

This is why we need to trust the people, putting power and money into their hands through new institutions which combine financial responsibility with open engagement with local people. This is not pie in the sky but is happening in hundreds of communities.

For example, in Leeds the Bramley Baths which was threatened with closure in 2011 was taken over by the community through a Community Asset Transfer, with the Council giving them a 25-year lease. The Bramley Baths and Community Limited, a social enterprise and co-operative, has turned the baths around, doubling opening hours, employing more staff and increasing the number of visitors. The Baths are now financially sustainable and making a surplus.<sup>47</sup>

This cannot be dismissed as just an isolated example or only appropriate for certain services or assets. From the Millfields Trust Business Park in Plymouth which has supported over 100 businesses to the Heeley People's Park in Sheffield, time and again we see that putting power and responsibility into the hands of local people works and creates solutions which bring people together.<sup>48</sup>

<sup>48</sup> The future of community asset ownership, Locality, March 2018 p.8-9

### Putting trust in the people - The Onion Collective in Watchet

The Onion Collective – a community based social enterprise - was created in Watchet, West Somerset eight years ago in response to a lack of local jobs and infrastructure.

Watchet is a coastal town. Once the inspiration for Coleridge's "Rime of the Ancient Mariner", it is now one of the most deprived parts of Somerset, with lower health outcomes and higher levels of benefit claimants than the rest of the county.

After a property development plan fell through, the Onion Collective was formed by a group of local women to pool community resources and skills together to redevelop the marina quayside. Despite some local scepticism and one local business leader asking the women who led the project to "make cakes" rather than spend their time redeveloping the area, they pushed ahead.

Thanks to £5m in financial support from this Government's Coastal Communities Fund and the hard work of the local community, the Collective has restored the Boat Museum, community gardens and stimulated cultural tourism to the area. The Collective is also creating a Biomill, to turn waste materials into market-leading products for the construction industry, replacing environmentally damaging insulation materials. The Collective has grown successfully from scratch, has created 20 jobs for local people and seen their revenue grow 14% in the year before COVID and is on a steady financial footing.

Critical to this work was the flexibility of the local council which was able to negotiate a loan to match the initial government investment. Although this loan was not needed in the end, the willingness of the council to put its confidence into the local response was essential in bringing in additional resources. Encouraging local people to have the confidence to drive this project forward was also important to its success.

There is demand from people to have more influence over decision making. For example, the 2019/2020 Community Life Survey reported that only 27 per cent of respondents felt that they personally can influence local decisions, and that 53 per cent would like that to change. <sup>49</sup> The same proportion was reflected in the Commission on the Future of Localism study in 2018, which found that 71 per cent of people felt that they had no or not much control over important decisions that affect their neighbourhood. <sup>50</sup>

Although there are many examples of community power working in action, in many ways this is happening in spite of the system not because of it. Community Asset Transfers and the Community Right to Bid could be built upon to create the capacities and confidence of local places to take on projects. Where local places have put in place a supportive environment, a lack of start-up finance has been the barrier to getting initiatives off the ground. The British Business Bank has provided over £3bn in guarantees for SME finance in this country, but nothing of that scale has ever been pioneered for maintaining social and community assets.

We believe that there is significant potential to tap into the power of local communities, but we need to help build the capacity of communities to take control. This sense of powerlessness is corrosive and is holding our country back.

The Prime Minister is right to see the urgent need to create a renewed sense of unity in our nation. The past decade has seen people increasingly focus on what divides us rather than what brings us together. Community-powered Conservatism is a way to build a new shared purpose at a local level, going beyond differences of political belief, age, education, ethnicity or religion. Programmes such as the Local Trust and initiatives such as Citizens UK have shown us that it can be done.

<sup>49</sup> Civic Engagement and Social Action - Community Life Survey 2020/21, Department for Digital, Culture, Media and Sport, 29 July 2021

<sup>50</sup> Polling Findings, Commission on the Future of Localism, January 2018

<sup>51</sup> Local Delivery: Protecting Social Infrastructure, Localis, June 2020 p.8

### Long-term empowerment

We need to weave the principle of community power throughout all levels of government and our policies. Community-powered Conservatism must lead to tangible changes in the way that government works.

Funds like the Community Ownership Fund are a welcome start, but we need to go further. We need to create genuinely open institutions. Rather than assuming that all decision making needs to take place at a governmental level, whether central or local, we need to build different methods of engaging the people. Participatory budget setting local citizen juries are different ways of bringing people together beyond adversarial party politics.

Local government needs to learn from other parts of society as well. Nationwide has been putting money into the hands of local people and empowering staff on the ground through Community Boards, which decide on how Nationwide's community grants are made. With the right framework and support, putting money and trust into the hands of the people can create positive results.

We also need to recognise that areas that have suffered from over-centralisation and concentration of power will need more time to bid and develop proposals for these funds. The Community Ownership Fund is the right policy idea but needs to have long lead in times so that disadvantaged places are able to develop proposals. We may also need to make seed investment into local places so that they can get proposals onto the drawing board that may be worth investing in the future.

Investments that flow into local areas should not just be left to traditional council bidding, but should involve using these more modern and effective ways of engaging local communities and encouraging better decision making.

The key to success will be to generate a critical mass of active citizens who feel able to take on local projects. We need to look at initiatives such as the Local Trust's Community Leadership Academy which have helped local people to get the skills and confidence to take control of their local places. We need to support organisations such as the School for Social

Entrepreneurs, which was founded by Michael Young in 1997 and has now helped over a thousand people, many with lived experience of serious social challenges, to set up enterprising solutions for their communities. We need to look again at the Community Organisers Programme, a Cameron-era innovation that has successfully mobilised hundreds of communities around shared goals and collective action.

In the grand scheme of things these are small investments, but necessary if we are going to capture the interest and imagination of local people and turn community power into a reality.

Not only will this approach lead to better decisions, better services and higher levels of growth. It will also help to educate citizens about the power of our democracy and to flex their community muscle, which has wasted away in places. We will need to be patient and invest in rebuilding those muscles and instincts, but the returns from that approach will be transformational in the long term.

Too often the political pendulum has swung from total freedom to straight-jacketed accountability. We must break this cycle and trust that people will make mistakes, but that it is better in the long term to have faith in the people to come good in the end. This approach will not be easy, but we have to start today if we want to make a difference by the end of the decade.

### **Conclusion**

Conservatives must use the remainder of this Parliament and, with the support of the British people, the next one, to transform our country. How should we do this?

Our analysis is simple but powerful.

We cannot leave our future in the hands of a stretched state or the abstract forces of the market to deliver change. We need to **trust the people.** We need community-powered Conservatism.

This essay is a call to every Conservative Minister, every Conservative Member of Parliament, every Conservative Councillor and every Conservative Party Member. We must come together to clear the political pathway to enable power to flow through to the people.

Trusting the people will not be easy, but the political demand is out there. There is no agenda better able to bring together people of all political persuasions behind a shared endeavour.

The political left sees a world of fragmented and isolated individuals, abstract holders of rights and entitlements. Conservatives see families, communities and the nation sharing a common communal life.

The best way to level up our country is through our communities, investing in the institutions and infrastructure that bring people together and create stronger social bonds. Community-powered Conservatism is the only credible approach which promises to improve our quality of life, strengthen our economy and unite our nation. This is a Conservative project for the next decade and builds upon our greatest asset, the people of the United Kingdom.

# **Appendix: Policies to empower communities**

Community- Powered Conservatism	How?
Trusting the people to transform our public services	Community Covenants to ensure that more devolution truly puts power into the hands of local people, not more politicians.
	Greater use of relationship-based service delivery and community commissioning, such as social prescribing.
	Increasing the number of public service mutuals which put power into the hands of staff and communities.
	Shift focus onto prevention through the use of place-based budgeting.
	More radical financial transparency and governance at local level such as Open Book Accounting.
Trusting the people to run a stronger economy	Greater support for employee-ownership through reforms to tax incentives and Employee Ownership Trusts.
	Support more social enterprises and community businesses to create wealth in local communities.
	Help succession management of family businesses to ensure that important local businesses survive.
	Reform Companies Act to give businesses more flexibility to put local communities and the environment at the centre of their decision-making.
	Stronger regulation on competition and takeovers to ensure that companies cannot be asset-stripped.
Trusting the people to build stronger communities	Support social infrastructure such as libraries, post offices, shops and youth centres - and giving local people a role in running them.
	Make funds such as Community Ownership Fund a long term resource and give more time to disadvantaged places to put together proposals.
	Use participatory budgeting and other new forms of democratic consultation to direct local funding and create local-buy in.
	Invest in leadership and coaching programmes to support new local leaders.



Established in 2021 by Miriam Cates MP and Danny Kruger MP, the New Social Covenant Unit exists to share an old-new set of ideas in British politics. We believe that the primary purpose of public policy should be to strengthen families, communities, and the nation: the associations that make individuals happy, safe and free. Given the unique threats and opportunities of our age we need a 'new social covenant' for the 21st century.



New Local is an independent think tank and network of councils with a mission to transform public services and unlock community power. We work across the political spectrum and with a wide variety of organisations to give communities much greater power over the decisions and changes that affect the places they live. This pamphlet is part of an ongoing series exploring what community power can mean to those coming from different party political backgrounds.