

**A federative approach to care - exploring how Co-operative Care Colne Valley
can scale the impact of its model, and influence the wider sector**

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0. Introduction

[Adrian Ashton](#) was commissioned to work with [Co-operative Care Colne Valley \(CCCV\)](#) to consider how a federated structure might support the scaling of its model of care, and how it might be best designed.

This research into federative structures was part of wider learning during the process of setting up a care co-operative, funded by [Power to Change](#) to help develop better understanding of and explore how local community co-ops can offer a model to enable a more empowering, impactful, and sustainable approach to providing care.

This work was structured to be delivered through a desk research of federative models; identifying and interviewing other co-op federations; and reflective discussions with CCCV.

This paper represents the key findings and learnings from these methodologies. It, and its suggestions, are presented not just for the benefit of CCCV, but also any other community co-operative, or other type of community business, considering and exploring how it might replicate its service to benefit other geographical areas, and the potential benefits of doing so through a federated structure.

1. Context

As starting point in exploring the option of a federated structure, it is useful to clarify the context in which community care co-ops and businesses (such as CCCV) are emerging, and responding to:

The care sector is increasingly seen as being in crisis:

- There is a higher turnover of staff than in other sectors, suggesting that employment is insecure, and leading to concerns about maintaining quality of service and provision for people who draw on care;
- The financial contract values that are offered by local authorities for the delivery of care services by various providers has reached levels where private contractors are withdrawing from offering to continue to provide care through them (citing that to do so, would mean that they generate trading losses which are unsustainable and unjustifiable for them);

Against this context, there is growing interest in alternative business ownership and governance models through which care can be provided - this is enforced by evaluations, research, and studies that find community businesses that offer health and care services generate greater outcomes to both the people who draw on the care, as well as to the wider community.

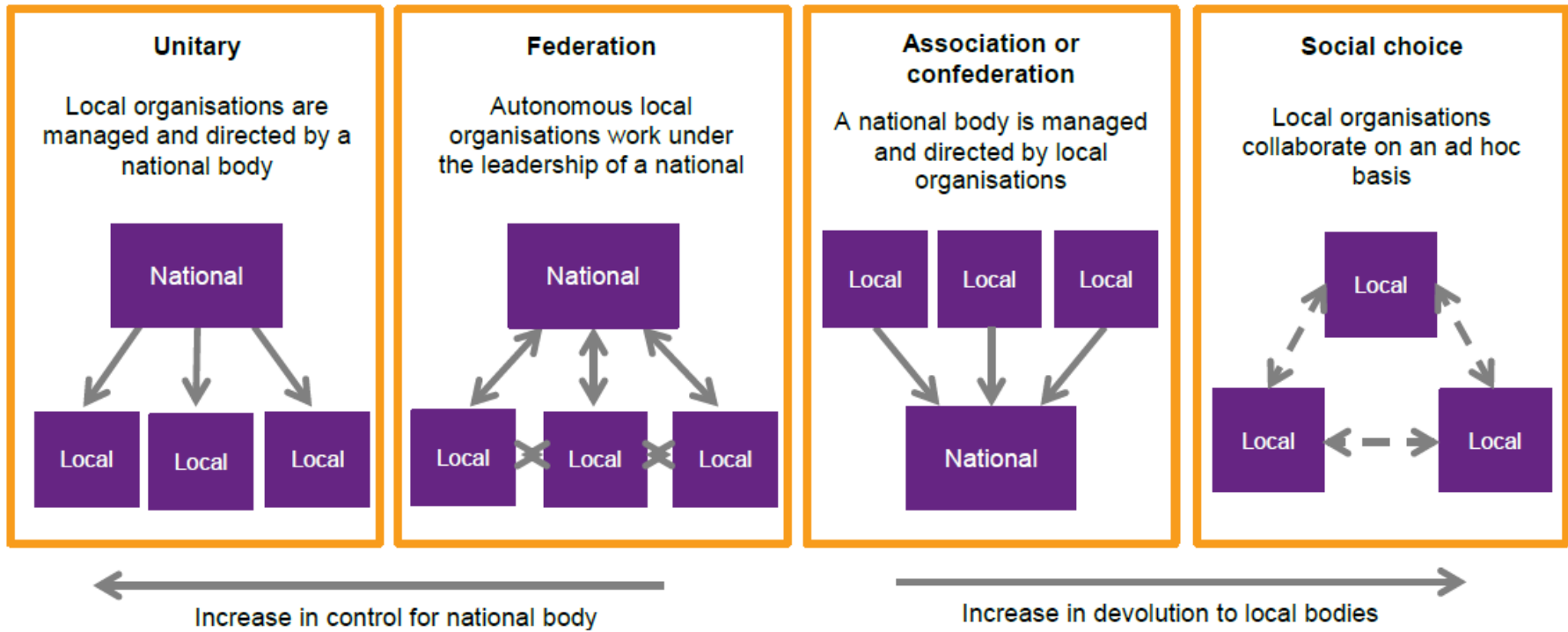
2. Federated models

Having recognised the potential for a care co-op early on its its development to create benefit for other communities, CCCV decided to seek to reconcile the tension between ensuring its business model was able to be successfully launched in its own area, whilst not negating the potential for wider impact, by committing to a parallel programme of replication.

This replication has been initially structured through an open sharing of its own learning about what it will mean to be a community co-op in a rural area offering care, and at the same time, starting to consider how to design and support a future federation for future community care co-ops.

The option of a federation was chosen because of it easily allowing future replicated co-ops to mutually support each other through accessing and sharing 'back office services' and generating economies of scale with regards to collective purchasing power. It also allows for the development of a movement for change and increases the capacity to lobby and influence that would be harder for a single enterprise to be able to sustain by itself. In addition, there is greater potential for more learning and innovation through sharing the costs and risks of testing new ideas and approaches between and across different members and areas.

However, federated structures can be designed and managed in different ways, so the research and exploration focussed on identifying the key issues and questions CCCV should best focus on in order to best progress this future structure:



Variations of federated structures, from Federated Charities: a briefing paper by Alex Van Vliet and Rachel Wharton for NPC, 2014

3. Rationale for growth through replication vs. organic growth as single entity

As part of its original start-up thinking, CCCV had committed to developing its future model within a federated structure as its preferred growth model for a number of reasons:

- The larger a single organisation becomes, the more it needs to introduce and formalise processes and systems to manage people and activities. This risks the organisation compromising its values and the relationships it seeks to have with, and nurture between, its employees through increased bureaucracy;
- Larger organisations are more likely to suffer pressures that the enhanced levels of bureaucracy demand, on the focus, time, and overall quality that people who draw on care are able to be offered;
- Size can often also act as a barrier to innovation, with larger organisations not being able to be as responsive as smaller ones, in adapting to changing circumstances and introducing new practices.

It could be argued that the above reasons are outweighed by more pragmatic operational needs to build resilience (*through having larger numbers of people and financial capital to draw upon in times of crises*) and economic efficiencies (*through the generation of economies of scale in procurement*). However these are both countered and resolved through the below 2 examples that highlight the potential capacity and economic benefits a federated model can offer:

- Through sharing common 'back office' functions and having the same equipment and materials needs that creates opportunities for joint purchasing, each co-op can benefit from growing economies of scale with each new co-op that joins it;
- Through offering the same services, and being regulated in the same way as each other, each co-op would be able to second employees to others to help manage absences.

3.1 Alternatives to a federated structure

In seeking to better understand and best work with the preferred choice of some form of federated structure, alternative models of replication and scaling that CCCV has discounted were also considered. This was to ensure that the Federated model was the best strategic option:

Federated structure

Benefits	Implications	Reflection
Retains co-op ethos and model Mutuality of all co-ops within it	Could be restrictive where there is need for care, but no appetite for co-op model Diluted control and influence of original co-op over time	Best fit with vision of care co-op model being able to be rooted in each local community and part of wider movement for change in how care is offered and managed

Licence

Benefits	Implications	Reflection
Flexibility to adapt model to local circumstances Easy for licensee to incorporate within existing organisation or services	Harder to direct licensee over operational terms No mutual ethos embedded	Where a community may seek to introduce a care service, but for whatever reason determines that the co-op structure is not appropriate, this strategy may be useful in offering the federation an income stream (although it would mean that the licensed operation would not be eligible for full membership of the federation)

Franchise

Benefits	implications	Reflection
Safeguards co-op's ethos and brand directly	Less ability for franchisee to be able to adapt to local circumstances	This strategy would not be in keeping with the identify of any community business, so discounted outright

Additional geographic areas of operation within the same co-op (organic growth)

Benefits	implications	Reflection
Full control over all activities	Time and investment needed to be raised Slow growth process Risk of dilution of focus and ethos	As the co-op grows, this would make it increasingly remote from being accountable to its local community, as in each area, each community would have different priorities that would be best responded to (in operational and governance terms) differently - the co-op would therefore clearly risk losing its community focus if it grew this way

3.2 Learning from other federated co-ops identified through desk research and interviewed:

Prior to identifying and exploring the histories and experiences of other federated structures, an initial desk research of studies and modelling about federations was undertaken (see *bibliography*). The key issues from these were reflected on with CCCV in order to best focus on what questions that they would like to better understand from 'live' federations examined.

This led to an initial set of federated models being identified and examined from the perspective of their published accounts and annual reports, websites, social media feeds,

and case studies written about them (*see appendices*). Again, the findings of these were reflected on with CCCV to further refine the questions and understandings that they were keen to explore further, and all the examples were contacted to seek to arrange to interview them with these prompts.

Of the federated co-ops who responded to the invitation, there was a significant variety with regards to age, scope, typical ages of members within their respective member co-ops, and such like. The below schedule summarises the key findings from the conversations with them with regards to how a federated structure has helped/hindered, and the learning they have gained through being one since their original inceptions:

i) There is a need for a strong 'business case': each co-op in a federation needs to be a sustainable trading prospect, as despite the benefits identified in the earlier section ('rationale for growth through replication...') there will be a financial and economic cost associated with their being part of a wider federative model. Therefore the transactional benefits have to be tangible in order for them to be able to justify and sustain their involvement.

ii) Although all the co-ops in a federated structure share a common vision, the missions through which they feel this is best pursued can vary, and this can cause tensions. There therefore needs to be clear communications about identity and purpose regularly shared and re-enforced.

iii) Within a federated structure, participating member co-ops will potentially have significant variance with regards to their respective size (*number of members*) - this can cause tensions with regards to representation and voice in the federative model: smaller co-op members feeling 'drowned out' by the relative weighting that others have due to their size. Governance structures therefore need to recognise this disproportionality without making member co-ops feel alienated because of their size.

iv) Whilst the federations interviewed have co-op members within distinct and defined geographies, these have usually arisen by organic means - none had a formal delineation about how far the geographic reach of each member co-op should be without it losing its respective identity, and its members being able to relate to it as being part of their community. Although not a direct issue for how a federation should be structured, it does highlight an issue for CCCV as to how large or small the reach of a community care co-operative could and should be, in order for it to be able to retain its community ethos and focus in the eyes of its members.

v) None of the federations interviewed were reliant upon grants or public funding to sustain their core functions - they are seeking to create internal economies to sustain themselves (*in keeping with Principle 6*). For some, this means generating investment to gain assets which member co-ops lease from the federation (*keeping the revenue that they would have otherwise spent on an external private provider 'in the sector'*). However, this has implications in their early stages with regards to being reliant upon the good will of individual members to volunteer within roles when there may not yet be sufficient revenue being generated to salary them.

vi) Each federation, whilst feeling a strong sense of solidarity with the wider co-op movement, was actually more connected in practical and operational ways to other institutions and movements that were directly related to the focus of their members' activity - reinforcing the need for a strong business case to member co-ops.

vii) Each of the federations interviewed were incorporated with different legal forms - yet all felt that their option remained fit for purpose after successive reviews since adopting it. This suggests that legal forms are not a critical success factor for a successful federative model.

4. Implications for CCCV:

In considering some of the practical implications of federative models, and in reflecting on the learning captured through conversations with other federated co-operatives, there would seem to be some principal themes that CCCV should consider next:

i) Members

There is a need to better understand the motivations of members - both as the individuals that make up specific care co-ops, as well as why it is that individual care co-ops are seeking to be part of the federated model. This will better inform how the federation can best present the co-op option to other communities who are interested in establishing a care co-op in their area. For replicated models to be successful using CCCV's example, each community will need to be able to identify a set of characteristics to ensure sufficient demand and ability to generate revenues, as well as there being sufficient and relevant interest amongst members and those that offer and draw on care services within these new groups in order for it to be viable as a co-operative form.

Potentially, there may be variances between different areas' motivations as to why people in them are interested in establishing care co-ops, and this will need careful monitoring and understanding to ensure that the federation's governance does not become stymied through conflicting ideals being pursued within it.

It may be that in some communities, the desire to create a care co-op is based more on the model of care, and there is insufficient interest amongst those that offer and draw on care services to be part of a co-operative structure. In this instance, the federation might offer a consultancy service to that community in supporting it to establish a care service that is not otherwise part of its structure. This would ensure that the provision of care at a community level is able to be offered, but without mandating the legal and governance structure it should have to adopt to do so, in deference to recognising that not all communities are the same.

ii) governance structures

Structuring the federation's governance to reflect the future variety of member co-ops by their respective size and primary motivations will be critical to ensure representation and engagement by all members - a way to reconcile this with the need for commercial decision making and ensuring compliance might be the formation of a members' council:

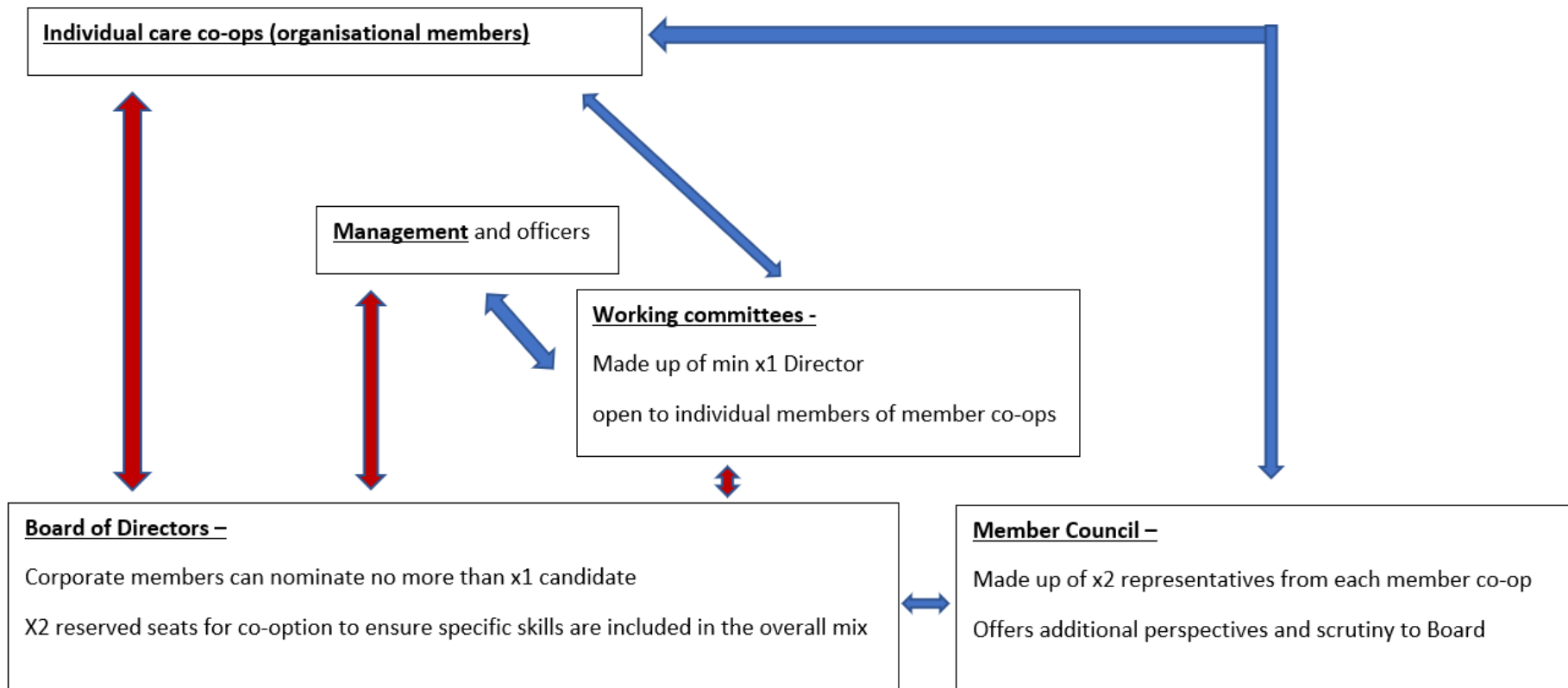


diagramme to show weighted representation (blue), and how it sits alongside legal/formal governance organs (red)

This would enable the federation to equitably ensure compliance within its legal structure, be led by a Board that is credible with internal and external audiences, and also encourage participation by both types of its members: legally constituted independent care co-ops, and individual members of the member co-ops who will have opportunities to be engaged and involved in its management and governance.

Alongside this formal governance structure, the federation might also act to facilitate knowledge sharing and collaborations between its members through a regularly convened forum, as well as managed electronic group discussion platforms.

iii) defining 'local community'

In offering itself as a model for replication, CCCV needs clarity on what constitutes 'local' with regards to its community. This would principally help define its identity, and the ways in which its members and users relate to it. It would also help to identify where interest is expressed in its service, whether the co-op (*or one of its member co-ops*) should seek to meet the demand through expanding their own reach into that geographic area, or trigger a process that will seek to support the formation of a new care co-op.

Although this drawing of a boundary line around each co-op's reach and trading area may result in potentially constrained potential for economies of scale to be generated, this could be easily reconciled through back office and shared functions offered through the federation:

- Coordinating cover for staff between different co-ops when people take leave;
- Increasing collective purchasing power over common supplies and materials;
- Representing member co-ops' interests in consultations or in responding to proposed changes to care standards and required practices.

iv) developing an asset based model

As part of the business case for their being part of the wider group, the federation may seek investment to gain assets (physical and intangible) for its respective member co-ops to have access to. Additional benefits of this approach would not only see income being generated from the assets' use by member co-ops (which would help to sustain the federation), but also see accelerated growth in the number of care co-ops becoming members in the future.

For example, the UK Federation of Student Housing co-ops is seeking to raise capital to allow it to purchase properties that its member co-ops can then utilise. As local member co-ops currently have to acquire properties themselves, this takes time for them to either be able to identify and secure an appropriate lease, or to try and raise funds needed to purchase properties. With the Federation developing a portfolio of properties, future local co-ops can access these on terms more favourable than they might be able to otherwise be offered, and more quickly. The income generated from the local co-op leasing them from the

Federation generates a shared fund that the Federation can use to purchase more properties in the future that would benefit more future student housing co-ops.

This means should the federation wish to offer access to resources that would otherwise act as barriers to entry for new care co-ops, it will need to achieve a high growth of supporting larger numbers of co-ops to start up than may have otherwise happened organically. Alternatively, it could introduce such support offers in stages, as the federation as a whole grows over time.

5. Next steps to progress development of a federated model

In concluding this initial phase of research and development of the idea of federated model for community care co-ops, it is recommended that the next stages of activity should be:

- a) Map current CCCV members' motivations to better understand what the critical factors are, and need to be managed, in ensuring a care service can be best developed and sustained within a co-operative framework.
- b) Begin to capture data against the indicators within CCCV's working Theory of Change - this will allow the assumptions within the co-op's model to be better tested and refined as it begins to trade and grow (*both as a co-op, and federation*). The capture of this data will also better illustrate the performance and value of the co-op and its model to different audiences, making it easier to engage critical stakeholders in the future to assure the growth of the federated model (*both internal in the form of other co-ops, and external in the form of investors and commissioners*).

The outcomes of these should directly inform how CCCV approaches the key strategic implications detailed previously: how the better understanding of its motivations should impact on its governance structures; how it defines its community in terms of 'local'; and the potential to acquire or develop assets that can benefit other care co-ops in the future.

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Going to Scale: the challenge of replicating social programmes; J Bradach; Stanford Social Innovation Review, Spring 2003

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Standardisation vs adaptation: geographical pressures to deviate from franchise formats, J Cox & C Mason, Service Industries Journal Vol27 no8, 2007

Drawing learning from elsewhere: Identified examples of existing federations desk researched:

- Confederation of Co-operative Housing (also interviewed)
- Student Housing Co-op (also interviewed)
- Co-operativesUK
- Care and share associates: started as franchise model, but then transformed to wholly employee owned structure in 2019 as 'Be Caring'
- <https://www.equalcare.coop/>
- Guild of social and community workers
- Age UK

(their own websites, filing history, and news coverage)