DEMOS

COMMUNITY COVENANTS

A PROPOSAL FOR REINVENTING PUBLIC SERVICES WITH CONSERVATIVE PRINCIPLES

SIMON FELL MP
JO GIDEON MP
PAUL HOWELL MP
KIERAN MULLAN MP
ROBIN MILLAR MP
NICK FLETCHER MP

DANNY KRUGER MP JEROME MAYHEW MP MIRIAM CATES MP SALLY-ANN HART MP JANE STEVENSON MP

ANDREW O'BRIEN IMOGEN SINCLAIR

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RELATIONAL PUBLIC SERVICES

This project is part of Demos' work to build *relational public services*.

This programme looks at how we can build public services that put people and improving relationships at its heart, in order to empower communities, encourage prevention and make public services sustainable.

This links to further Demos work around developing proposals around public spending can be reformed to encourage investment in prevention and how we can build social infrastructure to develop better outcomes.

INTRODUCTION

Conservatives need to be clearheaded about their thinking on public services.

For liberals, public services are a way to maximise utility. They are an exercise in choice, just another 'service'. For socialists, public services are an expression of the power of the collective, a way to abolish difference.

Conservatives think differently and we have not helped ourselves in allowing policy to be guided by distinctly unconservative principles.

For Conservatives, public services are a means of strengthening what Conservative Cabinet Minister, Quintin Hogg, called "our common brotherhood". Public services that do not build stronger social connections, that drive people apart and make them better off alone, are not conservative public services. This is what centrist techno-utopians fail to appreciate.

Conservatives instinctively appreciate the uniqueness of people and places. It is a source of shame for those on the left that our public services emerged through the spontaneous action of communities and civil society - the voluntary hospitals, the medical aid societies, the alms houses and charities. Conservatives do not share this shame. We celebrate the civic impulse.

This is what other parties fail to recognise. It is through strengthening our local and national institutions that strengthen our society, inculcate that civic impulse and encourage us to act as good citizens that we create better outcomes. There is no route to better preventative public services, fiscally sustainable public services. We need to design public services on conservative principles. This is why the Conservative Party must not back away from the problems facing our public services.

Unfortunately, public services have not been built this way. Other fashionable ideas have shaped them and have created counter-productive myths. The story goes that citizens hand over their taxes to the state,

1 Viscount Halisham, The Conservative Case, 1959

who in turn 'demand' public services. It is then over to the bureaucracy to meet demand for those services. This understanding of public services permeates all parts of the state, our politics and our media.

The Conservative Party has been as guilty as any in perpetuating this myth. The Open Public Services White Paper, the only White Paper on public service reform from the government since entering office, strengthened this myth:

"Good public services are an essential part of everyday life, and being able to access those services is one of the most basic requirements that we as citizens demand from government in return for our taxes."²

This is not simply a critique of 'New Public Management". It is the original sin at the heart of the creation of the welfare state, even if Churchill, Beveridge and Attlee did not intend it. New Public Management was itself simply an attempt to turn this myth into reality. In doing so, we have broken our public services.

Most damagingly of all, we have

divorced public services from the values, places and institutions that helped to create and sustain them.

The results of this misguided approach to public services are clear to see. NHS admissions were growing faster than the UK population before the pandemic.³ Between 2013 and 2019, the number of recorded offences increased by 73.5% across England and Wales.⁴ We know official data is only the tip of the iceberg. For example, the number of referrals to children's social care fell by 7% between 2019/20 and 2020/21, yet the NSPCC's helpline saw a 23% increase in calls over the same period.⁵

It's not just demand that has increased. The public are pessimistic about the quality of public services, especially the NHS and social care. 57% think the general standard of care provided by the NHS has got worse in the last 12 months, while 69% think the standard of social care services has deteriorated.6

The public wants a change and they know that throwing money or praying for a technological revolution is not going to cut it.

- 2 Cabinet Office, Open Public Services White Paper, 2011
- 3 Office for National Statistics, Overview of the UK population, February 2022 & King's Fund, Activity in the NHS, 19 June 2023
- 4 Home Office, Police recorded crime Police Force Area Open Data Tables, from year ending March 2013 to year ending March 2023, accessed July 2023
- 5 Institute for Government, Performance Tracker 2022, October 2022
- 6 Health Foundation, Public perceptions of the NHS and social care, February 2022

Reinventing public services

Since taking office, the government has tried to make this failing system work.

On the one hand, we have spent more money. Many commentators say that the UK has tried to have European style public services but with US tax rates. This is no longer the case. The tax to GDP ratio in the United States currently stands at 26.6%⁷, in the UK it is 40.6%.⁸ By the middle of this decade, the OBR estimates that government spending could rise to 51% of GDP - levels we see in European countries.9 The increase in tax that will need to be raised to make that level of spending sustainable will be significant. If we were to spend 51% of GDP today, to balance the books we would need to raise over £300bn in additional taxes. To put that in perspective, total income tax revenue currently stands at £247bn.

There simply isn't the democratic mandate for this sort of increase in taxation. Deloitte's most recent *State of the State* research has found that 50% of the public believe that Britain should aim for the same level of public spending it currently has or should aim to lower taxes even if that means lower levels of public spending.¹⁰

On the other hand, in policing, criminal justice and local government, Conservatives have sought to use spending restraint to encourage productivity and efficiency - the economist's solution. This has not worked.

Conservatives need to look at where there has been a considerable improvement in outcomes of public services, education and in-work welfare. Both have seen a consistent programme, guided by conservative ideas. In both areas, Conservatives have been motivated to reinvent the system.

On education, we have improved standards but most importantly, we have empowered local institutions and relied on the civic impulse. Parents, teachers and communities want better schools and we have given them the power to deliver that. Critically, as we will discuss in this paper, we have created *challenger institutions*, new institutions that can challenge poor practice through free schools. We cannot achieve change unless we create new institutions at a local level.

On welfare, we have been guided by the belief that people want to work, they just need a system that does not hold them back. Again, the civic

⁷ OECD, Revenue Statistics 2022 - United States, accessed July 2023

⁸ Office for Budget Responsibility, Fiscal Risks and Sustainability - July 2023, July 2023

⁹ Ibid.

¹⁰ Deloitte, State of the State Report 2022/23, November 2022

impulse, the desire to contribute for the sake of our families and society are strong. Universal credit has rebalanced the welfare system towards making work pay. But we have not achieved the results we could have done because we are not invested in creating *challenger institutions* - putting resources into the hands of communities who know best how to support people into work. Consequently, the gains have not been as great as they could have been.

To strengthen our civic impulse and create the foundations for a new wave of community institutions we need a new covenant on public services - at a local and at a national level.

Community covenants will create the civic platform for us to reinvent public services. The government has promised to bring them in, but we need to move quickly and create the institutional infrastructure to deliver them. This paper outlines how it can be done.

Community covenants also require a national covenant between public servants, public sector professionals and citizens. A promise to work together backed up by a real transfer of power and resources into the hands of communities. A hopeful vision of what we can achieve when we trust in the power of the British people.

Conservatives must rise to the challenge and make building this covenant our guiding mission.

CONSERVATIVE PRINCIPLES FOR PUBLIC SERVICES

We propose four conservative principles for reinventing public services.

- Making people and places resilient, not just repairing them
- Strengthening our civic impulse
- Building partnerships in the public interest
- Increased accountability and transparency

The COVID-19 pandemic demonstrated the strength of many communities, but laid bare the fragility of others. We know that further shocks are likely to come in the future. Those countries that dealt with the pandemic the best were those that had healthy, connected communities. Even if these shocks do not happen, we know that the state cannot keep up with demand for services unless we improve the resilience of citizens and reduce the need for expensive, acute interventions. Wherever possible public services should be designed to draw on and increase the resilience of people and places.

The only way to do this is through strengthening our civic impulse. It is this impulse that encourages us to do the right thing for ourselves, our families and our communities. It is the foundation of prevention and the power that can mobilise people. This impulse is only as strong as our communities. The building blocks of communities are the social infrastructure, the local institutions that bridge and bind people together. Public services can only succeed when they are enmeshed in dense community institutions. Instead of at best ignoring them and at worst seeking to build the state into a parallel community, we must invest in local social, civic and cultural institutions. We must share power with citizens and communities, so that they can exercise and strengthen that civic impulse. We must stitch public services back into our social fabric.

Institution building requires a different set of tools. Conservatives have too often been guilty of assuming that competition alone will improve the quality of public services. Often this has led to bigger and bigger contracts in a search of purported efficiency savings. In public services, efficiency is found not in the size

of organisations but in knowledge of people, places and the ability to adapt to circumstances.

While competition and choice are necessary to create the pressure to consistently improve outcomes, they are not sufficient. For instance, the UK's biggest care home chains saw profit margins increase by 18% during the pandemic despite worsening outcomes. In children's care the largest providers reported £300m in profits while the quality of provision has decreased.

Relying solely on market relationships does not work in public services, because of the asymmetry of information between those bidding to deliver a service and those commissioning. In a market relationship, it is not in the interests of the bidder to be honest about the challenges in delivering services, only meeting the specification required to win the contract, 'Market' relations encourage price-gouging, abuse and target dodging. We need to move away from the binary of insourcing and outsourcing, towards ideas of partnership that build strong institutions.

We need to ensure that we design systems that build civic relationships, where every actor is focused on

¹¹ Centre for the Understanding of Sustainable Prosperity, Held to Ransom, June 2022

¹² The Observer, Revealed: top 10 children's care providers made £300m profits, 15 March 2022

improving outcomes and mobilising communities. This was an argument made by Demos in The Social State as a way to build a new way of delivering public services.¹³ In this system, competition is a way to weed out failure, through encouraging the development of challenger institutions - as we saw with free schools - rather than hoping that appealing to commercial gain will deliver better outcomes. We also need a focus on delivery and accountability at a local scale, rather than reliant on distant and anonymous central governmentfunded regulators.

Ultimately, it is politicians that will be held accountable for the performance of public services, but in many parts of the public sector there is little ability for Ministers, Mayors or Council Leaders to intervene and change the leadership of institutions that are failing to hit their targets. Where the Conservatives have introduced accountability, for example in policing through Police and Crime Commissioners and elected Mayors, turnarounds in underperforming police forces, such as Greater Manchester Police, have been possible.14

While operational independence is important, greater tools need to be

given to local and national politicians to be able to hold public sector organisations accountable for their failure to deliver agreed targets. We need to also go beyond just political accountability and put power directly into the hands of citizens so that they can challenge poorly run services. We must trust the people.

CONSERVATIVES MUST SHOW LEADERSHIP

In the best Conservative tradition, these principles are not a revolution but an evolution based on what we know works. As this paper demonstrates, the evidence is there everywhere you look.

Critically, we need to re-politicise the way that we run public services.

We should not be ashamed to speak about what a Conservative vision of public services is. Opponents will wish to make the debate a purely technical one, to let their assumptions about people and society go under the radar. We must not allow that.

We must not be scared of failure. We know that this can work, but there will be bumps on the road. A strong political message is essential if we are going to overcome those challenges

¹³ Demos, The Social State: From Transactional to Relational Public Services, July 2021

¹⁴ Greater Manchester Police, GMP tops the national leader board for 999 call answering times, 17 March 2023

and make sure that we focus on the successes a new approach to public services can bring.

Too often Conservatives have spoken of reform, but this does not confront the problems that have got us here. We need to *reinvent* public services, not simply reform them.

This pamphlet means to start that debate and provide the evidence and ideas for how we can transform public services.

MAKING PEOPLE AND PLACES RESILIENT

BURYING THE OLD FATALISM

During much of the 20th Century, the idea that we could prevent working people from ill health or poor life outcomes was hardly considered. The ideal of 'self-help' that had dominated the previous century had given way to a fatalistic view that the structure of our economy and society inbuilt poor lifestyles and ill health. Our public services were designed with this fatalism at their core, assuming that the best that could be done would be to repair the damage to people as they went through life.

Our health service was not designed to encourage healthy living, but to provide people with care when they inevitably fell ill. Our employment services were not designed to keep people in work or check that they had the skills they need, but to cover their period of unemployment. Our criminal justice system was not

designed to divert people from crime, but to imprison people once they had committed a crime.

We now know that not only is this fatalism misplaced but it is unsustainable. Any serious agenda needs to come with a new spirit of possibility. Central to this new spirit must be the goal of building a resilient society.

Resilience is improving the general health of citizens, increasing their social connections and their economic conditions. This is an obvious point, but as we saw during the COVID-19 pandemic, those individuals that were in better health, often driven by stronger social connections and economic conditions, were better able to cope with the virus. The same is true in a broader sense for all our public services.

The problem is that it is not possible

for the state alone to create 'resilience'. By its very definition, resilience comes from beyond the state, from the citizens, families and communities themselves. Instead of developing policies to support families, communities and local institutions that generate resilience the state has retreated, trying to focus on those aspects of public services that it can directly influence, particularly investing in acute services or hiring staff. Whilst we do need to invest in acute services and ensure that the public sector is adequately staffed, we need a broader vision.

FAMILIES FIRST

The starting point for resilience is the family. This is not a controversial statement. Professor Sir Michael Marmot's landmark review Fair Society, Healthy Lives noted that many later inequalities can be traced to the support (or lack of support) children and young people receive at home. 15 A major study by the Centre for Social Justice in 2018 found that adults that had experienced family breakdown as children were nearly twice as likely to experience alcoholism, mental health issues and more than twice as likely to

experience homelessness. ¹⁶ This is not simply an academic insight. Polling commissioned by the Centre for Social Justice in 2019 found that 83% of British adults agreed that stronger families are important to addressing Britain's social problems. ¹⁷

Families come in a variety of forms. For many decades, governments of all types have ignored the need to strengthen and support families. This has directly reduced the resilience of people, driving greater demand for public services which are often left simply to pick up the pieces. Central to this agenda must be supporting families.

The government has made a start by developing Family Hubs, which can provide a locus of support for families when they have a new child. Wherever possible these Family Hubs should build on existing local institutions from voluntary associations of parents, communityled projects, charities and churches so that the state is not replacing the role of the community but reinforces it. However, we need greater ambition.

Although the government has been right to target those families facing multiple challenges through programmes such as Supporting

¹⁵ M. Marmot, Fair Society, Healthy Lives: The Marmont Review, February 2010

¹⁶ Centre for Social Justice, Office for Family Policy Briefing, accessed July 2023

¹⁷ Centre for Social Justice, Why Family Matters: A comprehensive analysis of the consequences of family breakdown, 2019

Families, we are at risk of ignoring the 'just about managing' families that also need support. There is growing support for the provision of 'family vouchers' or transferable tax credits for working families, in which families are able to work less so that they can speak more time with their children or spend on other forms of support that they feel they need.

This should be paid for by rebalancing limited public funds towards families. The Office for Budget Responsibility found that child benefit accounted for 4.7% of social security spending in 2021/22. However, this is projected to fall to 3.8% by 2027/28.18 At the same time, the overall social security bill is due to increase by nearly £90bn. This is part of an overall downward trend of investment in families, with UK spending on families falling as a percentage of GDP from 4% in 2010 to 2.3% in 2020.19 This downward trend in spending on families needs to be reversed, if we want to create the conditions for high-quality public services to emerge.

Part of the reason why this change has taken place is a lack of policy focus on families. The 'Family Test', for example, introduced by David Cameron has not been consistently implemented and the assessments are rarely published. This has left Parliament unable to consider the impact of proposed policies on families. As an urgent priority, the Government should commit to publishing the results of the 'Family Test' for all policies as standard practice. The Chancellor should also publish a 'Family Test' assessment alongside each Budget so that the impact of spending decisions is published.

The Government should create an independent 'Office for Families' to advise government departments on how they can support families as well as publish an annual assessment of the impact of government policies on families.

COMMUNITIES ARE THE FOUNDATION OF RESILIENCE

The second pathway to boosting resilience is strengthening communities. Demos' essay, *The Preventative State*, made the case for investing in communities as part of strengthening the foundations of public services, so that we can increase people's resilience and improve prevention.²⁰ The Marmot Review found "communities are important for physical and

¹⁸ Office for Budget Responsibility, Spring 2023 Economic and fiscal outlook fiscal supplementary tables: expenditure, 24 April 2023

¹⁹ OECD, Family benefits public spending, accessed July 2023

²⁰ Demos, The Preventative State, April 2023

mental health and well-being. The physical and social characteristics of communities, and the degree to which they enable and promote healthy behaviours, all make a contribution to social inequalities in health."21 This is not just about the relative economic prosperity of different communities. There has been increasing focus on 'left behind neighbourhoods'. These are places which rank in the top decile of the Index of Multiple Deprivation and the top decile of the Community Needs Index, the latter focusing on social and cultural factors that impact on communities. Research into 'left behind neighbourhoods' by OSCI and Local Trust found that residents in these areas suffered from much worse health outcomes than other similarly deprived areas in England and also lower levels of educational attainment.²² Repeated studies in the UK and around the world have found the importance of the relationship between strong communities and better health outcomes. Research in Finland, for example, found that higher levels of social trust and reciprocity, key ingredients of a strong community, were associated with positive health behaviours, such as non-smoking and adequate levels of sleep. In addition, social trust and reciprocity were also independently associated with higher self-reported outcomes, including higher physiological wellbeing. The study concludes that "people with higher levels of social capital – especially in terms of social participation and networks – engage in healthier behaviours and feel healthier both physically and psychologically."²³

Central to strengthening communities is better use of existing monies. Spending on the NHS has risen considerably over the past decade. Integrated Care Systems in England have been allocated £113bn²⁴ yet voluntary, community and social enterprise organisations (VCSE) consistently report challenges in accessing funding to invest in preventative health care.²⁵ In Bradford and Airedale, local health system leaders and the VCSE sector are working towards the aim of investing 1% of the core budget in VCSE organisations in the area that unlock £10m a year into the local community

²¹ M. Marmot, Fair Society, Healthy Lives: The Marmont Review, February 2010

²² Local Trust, The Double Dividend, July 2021

²³ Nieminen, T. et al, Social capital, health behaviours and health: a population-based associational study. BMC Public Health 13, 613, May 2013

²⁴ National Audit Office, Introducing Integrated Care Systems: joining up local services to improve health outcomes, October 2022

²⁵ NHS England, A framework for addressing practical barriers to integration of VCSE organisations in integrated care systems, May 2023

sector.²⁶ This is a target that should be deployed across Integrated Care Systems.

The UK Shared Prosperity Fund will provide £2.6 billion in investment for communities by March 2025. However, there is a danger that this investment will be retained in the statutory sector without the appropriate safeguards.²⁷ For example, the government has committed £600 billion in infrastructure investment over this Parliament, but only £150 million has been set aside to support community assets.²⁸ One suggestion from the Communities in Charge campaign is that 25% of UK Shared Prosperity Fund money should go directly to community-led partnerships for social infrastructure.

The new government 'Office for Place' should be given responsibility for monitoring the deployment of public spending and ensuring that communities are given access to public investment. This will provide external accountability for the government.

More ambitiously we should look at the case for a UK Community Investment Bank, such as the one proposed by winner of the Heywood Prize, Andrew Holland.²⁹ This proposes a £1bn bank that would invest in the creation and maintenance of thousands of community institutions across the country through a combination of micro-lending and 'community benefit' payback, where areas without finance are able to 'repay' the money through delivering positive social, economic and environmental outcomes.³⁰

Central to embedding resilience into our approach to public services is recognising the need to think beyond the state. The problem is as much cultural as it is practical.

We must move away from a vision of public services that simply sees the state's role as repairing the damage. Conservatives must make the case for resilience and show how the fatalism of the alternative leads to an unsustainable path of ever higher demand for public services and ever higher spending, and communities.

We need to increase the resilience of families, communities and individual citizens so that we are able to improve the health and wellbeing, increase educational attainment,

²⁶ Ibid.

²⁷ Communities in Charge campaign, https://locality.org.uk/policy-campaigns/communities-incharge/, accessed July 2023

²⁸ New Social Covenant Unit, Social Capitalism, October 2022

²⁹ Heywood Foundation, UK Community Investment Bank, accessed August 2023

³⁰ Ibid

enable people to access decent jobs and create vibrant communities where people can find meaning and purpose in life.

This will mean letting go of resources and putting them into the hands of citizens, families. It means trusting in the civic and social connections we have in each other. It means strengthening community institutions that build those social and civic connections and that are the true power of public service.

STRENGTHENING OUR CIVIC IMPULSE

PUTTING COMMUNITIES IN CHARGE

The great success story of the past decade and a half in government has been the transformation of our education system. Conservatives have led changes that have seen the UK return to the top of international league tables for literacy and numeracy, increased the number of children going to good or outstanding schools and improved the life chances of millions of children and young people.

Front and centre has been the introduction of 'free schools', which research has found were the top performing type of school at GCSE level and the highest performing

post-16 providers and more likely to be rated Outstanding by Ofsted.³¹ This should not be a surprise, academic research has found that family and community involvement in schools is strongly linked to enhancing students' lives through improving education attainment, attendance, behaviour and school discipline.³²

The civic impulse is a powerful force for social good.

However despite the success of free schools, the rate of creation of free schools is slowing down. There are only 550 free schools operating out of 24,000 schools in England. The government has recently announced a new wave of free schools, which

³¹ Free Schools: The Formative First Ten Years, National Foundation for Educational Research, February 2021

³² G. Brazer, Building stronger communities: a key element in improving student attainment? A review of current literature, The Bridge: Journal of Educational Research-Informed Practice Volume 1, Issue 1: June 2014

is welcome, but even with this announcement by 2030 only 4% of schools will be free schools.³³

The evidence is clear that giving communities greater control over the way public services are delivered achieves better results, but this is strongly resisted by the system. As in the case of free schools, power will not be given to communities by accident, governments will need to push the system to trust the people. We need challenger institutions, at a local level, that can offer an alternative to failing systems.

Conservatives must be the champions of communities and put them in charge. We must, to use a phrase, trust the people.

We must resist efforts to pit 'communities' against 'professionals'. The idea being that if we are encouraging communities to be more involved in public services, it is because we do not trust the people currently working in the public sector. This is simply not the case.

Firstly, the professionals that work in the public sector are also part of the community. Most of the people that work in the public service live in the areas where they are delivering services. They are part of the community, not separate from

it. Encouraging community-led approaches to public service delivery is not about pushing out public sector professionals, but bringing local people in.

Secondly, community power and empowering professionals to do their work are not mutually exclusive. The best models, such as free schools, have combined both greater say for citizens and professionals - often it is the state that needs to get out of the way to enable local people to make the best choices. One of the biggest Conservative successes over the past decade has been the development of public service mutuals.

These are staff and communityowned entities which span out of the public sector. They put staff and local people directly onto boards, reaching out to parts of the community that have often been ignored by the traditional public sector. Eighty five of these 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

33 Centre for Policy Studies, Fight for Free Schools, August 2019

and adaptation.³⁴ 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.³⁵

Thirdly, we need to value the expertise and experience that communities bring. Giving leadership and control to communities should not be seen as a burden or a guidpro-quo for getting communities to agree to decisions that professionals want to take, but a good in itself. The growth of 'social prescribing', which brings in social interventions to improve people's health and wellbeing, is being led by insights directly from communities and having significant results. In Rotherham, for example, the local Clinical Commissioning Group has taken this approach and seen inpatient admissions have been reduced by as much as 21%, A&E admissions have been 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 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.³⁶ In our most deprived communities we need to lean into the power of local people, rather than assume that they lack the capacity to shape their future.

CREATING THE INFRASTRUCTURE FOR COMMUNITY LEADERSHIP

The case for greater community leadership in the delivery of public services is clear.

However, alongside providing a platform for that leadership we also need to create institutions that create the next wave of community leaders. We should put the Community Leadership Academy³⁷ onto a permanent footing, to provide a resource for communities, councils and public bodies that want to grow the future community leaders and support new projects. This Academy would bring together people who have successfully developed community solutions in their areas, alongside other experts that can advise people on how to structure, govern and finance their ideas. The demand is there, the Community Leadership Academy has already supported 112 people, but we need to support thousands more people if

³⁴ Social Enterprise UK, Public Service Mutuals, April 2019

³⁵ IPPR, Ethical Care: A Bold Agenda for Adult Social Care, November 2019

³⁶ The Rotherham Social Prescribing Service for People with Long-Term Health Conditions, Sheffield Hallam University, December 2015

³⁷ https://localtrust.org.uk/other-programmes/community-leadership-academy/

we want to deliver lasting change.

The foundation for many of these successful community-led projects is vibrant social infrastructure, these are the local institutions that are run by local people and bring them together in common cause. Social infrastructure creates the social capital that enables people to take on greater responsibility and exercise it effectively.³⁸ The government has promised a consultation on the creation of a Community Wealth Fund to provide long term, patient investment into local communities using dormant assets. This must not be delayed and a Community Wealth Fund should be given the resources needed to provide support to local infrastructure at scale. Existing funding streams, such as the Community Ownership Fund should be extended and put on a long term footing so that communities have the certainty that if they have a plan to take over or save local institutions. that they can get the support that they need from the government. Social investment also has a role to play, with new analysis from the Futurebuilders England fund finding that flexible, patient capital has been able to sustain and grow local organisations.39

Long term, stable investment in communities is critical to provide people with the confidence to put their time and energy into turning places around.

We also need to reactivate the Mutuals Programme which had a positive impact on creating new models of public service delivery that brought citizens, professionals and service-users together. For relatively small levels of investment, the Programme was able to spread mutuals across England and they now deliver £1.6bn worth of public services across a range of sectors. A renewed Mutuals Programme should aim to increase this to £10bn by the end of the decade, giving communities and professionals greater say over the way that public services are delivered and transferring power into communities.

MAKING TECHNOLOGY SERVE COMMUNITIES

Conservatives have historically championed moving care into the community, recognising the value of place, particularly at the neighbourhood level. New technology is breaking down the need for agglomerating services

³⁸ Bennett Institute for Public Policy, Townscapes: The Value of Social Infrastructure, May 2021

³⁹ DCMS & Social Investment Business, Assessing the economic impact of social investment using a hyper-local analysis: Evidence from Futurebuilders England, May 2023

into ever larger hubs. For example, rather than concentrated employment support in large urban areas, job clubs could work at a local level sharing information and support on employment opportunities within much smaller areas and directly connecting people to opportunities. New technology can help us to localise and democratise the delivery of public services in ways that were not possible before, but we need to have that as an express goal. Organisations such as NHS Digital must be given the mission to explore how technology can empower local, community-led public services

Conservatives need to guard against those that want to take public services out of the community and put power into multinational businesses that want to use technology to take services out of the local area and move them online in the name of efficiency and scale. The danger is that we simply transfer the post-war public service monoliths from the physical to the digital world.

Technology can be a force for good in public services, if we channel it effectively. However, we must use technological developments to help keep services rooted in local places and even relocalise services that were taken out of communities and put into larger regional or national hubs to concentrate expertise. For example, real time information

sharing and use of video technology could enable us to recreate the local village and community hospitals that used to be important hubs of health and care services as well as creating social capital at a place level. The danger is that without guidance, we will move these services into the digital realm divorced from places and reducing the power and influence that communities have over the way that services are designed.

We have only scratched the surface of what communities can achieve when put in charge of public services. The evidence shows that the more power we give to citizens and communities, the better the results.

The civic impulse is there all around us, but we must strengthen it in every part of the country.

BUILDING PARTNERSHIPS IN THE PUBLIC INTEREST

THE PARTNERSHIP PARADIGM

The past forty years of public services have been dominated by the 'market paradigm'.⁴⁰ This vision of public services sought to use commercial competition as the primary means to drive improvement and efficiency. In this model, people would be turned from consumers rather than citizens, transacting with the state to receive specific services in return for paying their taxes.

This model not only shaped the interactions between citizens and the state, but also created a market mindset within the providers of public services. Their job was to be the interface between the state and the

consumer in this model, delivering to the specification and incentivised to find profit through driving 'efficiencies' within the delivery of public services.

Conservatives recognise the power of markets but also their limits. After forty years of relying purely on market forces to improve public services, it is time to face up to the fact that the market paradigm has simply not delivered. Spending on public services has not decreased, but has increased. Efficiencies have proved illusory at worst and at best have simply fed into larger profits for those delivering services without the gains being shared fairly with the state and communities. The quality of services

40 New Local, The Community Paradigm, March 2021

has also not dramatically improved.

Some in the Labour Party are pushing for 'the biggest wave of insourcing in a generation', but this is simply a return to the failed models of the past.41 There is a reason why direct delivery of public services was taken out of the hands of councils and departments. Short-termism in decision making, a lack of expertise, political interference in effective operation of services as well as an inability to take risk and innovate led to the 'state paradigm' breaking down by the end of the last century. There is no way to go back to the future in public services. We should be honest with the public, insourcing is no silver bullet to our current problems.

We need a new model to deliver public services, one that builds on the strengths of our current model, which provides for choice and innovation, whilst countering its weaknesses particularly around aligning the interests of citizens, communities, the state and providers.

We need partnerships in the public interest, with increasing public value at their core.

Shifting to a new 'partnership paradigm' will require fundamental

changes to the way that we fund public services, deliver public services and increase levels of transparency. These will create the cultural changes that we need to move beyond the market paradigm.

FINANCIAL STABILITY

Every report into public services says the same thing. We cannot improve the delivery of public services without financial certainty. The feast and famine of public spending reduces the capacity of commissioners and providers to plan for the future and makes it challenging for communities to engage. The introduction of threeyear spending reviews was supposed to counter this short-termism, but these rarely last the course. Only two spending reviews out of eight have actually lasted the three year duration, most have lasted only two years.⁴² Although the pandemic has shown that things can change rapidly, there is a balance between providing flexibility in a crisis with greater financial certainty in normal times.

We should start by putting Spending Reviews onto a statutory footing with a clear timetable and process for completion, rather than having an ad-hoc review process which can be

⁴¹ The Municipal Journal, Labour pledges 'biggest wave of insourcing for a generation', 26 September 2022

⁴² C. Talbot, Spending Reviews: a short history, 27 October 2021

called or delayed at any time. They should also be extended to last one Parliamentary cycle (five years) rather than three years.

Ministers would be able to introduce emergency reviews in extreme circumstances, but Parliament should be given a greater role in the shaping of the reviews - for example, having the opportunity to see the submissions made by departments to HM Treasury. Ultimately, the public will judge governments by the results that they achieve in delivering public services not on the gimmicks of announcements.

Departments, Combined Authorities and Councils should also be incentivised to commit to long term partnership agreements in delivering public services, with those agencies that can demonstrate effective partnership agreements receiving more favourable settlements than those that lack appropriate plans and systems. For example, Gloucestershire County Council has awarded a seven year contract to improve wraparound children services to a charitable social enterprise.⁴³ Best practice has shown that long term contracting encourages greater innovation in service design by giving providers an incentive to think more

ambitiously and to engage directly with communities.⁴⁴

SHARED VALUES

Strong partnerships need to be built on shared values. The belief of the past forty years was that the conflicting values of public benefit and profit could be squared through the use of competition. However, as we have noted above, this has not worked. It has not worked partly because of a lack of real choice. Over the past two decades, politicians and public sector commissioners worried about the development of very large businesses that were dependent on public sector contracts as their main form of income. In part this was because only these large businesses were judged fit to take on the risks of delivering very large contracts but also because they were prepared to take on the 'low margins' on public sector contracts and operate at scale to return to shareholders possible. The collapse of providers such as Southern Cross and Carillion has seen all parties recognise the flaws in the system and yet public sector commissioning has continued much as before.

⁴³ Shaw Trust, Gloucestershire Council award £13m contract to Homes2Inspire, accessed July 2023

⁴⁴ Local Government Association, Encouraging innovation in local government procurement, August 2017

We need providers that are not just seeking to game the system for profit but are genuinely committed to improving public services and outcomes for citizens. One way that we can achieve that is through higher weighting of social and public value in contracts, alongside quality and cost. Social value is the economic. social and environmental benefits that can be created through spending. In public sector commissioning, social value is additional economic. environmental and social value that can be generated through public spending - for example, delivering a meals on wheels service in a local area but running a befriending scheme for older people and cooking with local grown produce. One estimate from Social Enterprise UK is that since 2010, around £36bn of social value has been generated in social value across our economy through jobs created, volunteering opportunities, green spaces protected and investment into local places.⁴⁵ It is obviously in the interests of the state, communities and citizens to maximise social value in public spending. Organisations that are interested in maximising the positive impact of public spending tend to be most effective in delivering social value, it is therefore a useful proxy to identify how engaged potential providers of public services are to our wider social, economic and environmental objectives.

The current minimum weighting of social value for central government is around 10% but best practice in local government is often higher at 20-30% of contract value. Commissioners and public bodies find it useful to weigh social value highly to weed out those organisations that are not interested in effective partnership working.

Conservatives should ensure that social value remains focused on tangible improvements to people and places. All social value commitments should be published for contracts over £5m so that the public and its elected representatives can see how public money is being used and that genuine social value is being created. This is in line with the most recent Procurement Bill where all public contracts over this threshold must include three KPIs.

That being said, the Public Services (Social Value) Act that provides the framework for this work was introduced by a Conservative MP. Maximising the value of public spending for taxpayers is an inherently Conservative idea. With the appropriate safeguards we should maximise the potential of social value to encourage partnerships in the public interest and introduce a minimum weighting for social value of 25%, so that we create a higher bar for working with the public sector.

⁴⁵ Social Enterprise UK, Creating a Social Value Economy, May 2022

ENCOURAGING INNOVATION AND TRANSFORMATION

We know that we cannot continue as we are. We need to create the space for new ways to deliver public services to emerge. Over the past ten years, the Government has been experimenting with 'Social Outcomes Contracting' (SOCs) which have been found to generate significant public value. Research commissioned by Big Society Capital found that 72 of the 90 SOCs in the UK had generated £1.4bn in public value, including £397m of direct savings or costs avoided by the public sector, on the basis of £139m in spending. On a fiscal basis, this works out at £2.85 for every £1 spent.46 These are tangible examples of partnerships in the public interest.

This has been achieved through encouraging partnerships between the public, private and social enterprise sectors and breaking down silos that can get in the way of long term change. All this has been achieved under Conservative governments but we have not done enough to talk with the public about the impact that can be achieved.

We should be bold ahead of the next election, creating a £1bn Shared Outcomes Partnership Fund that can fund the next generation of public service transformation. This would be modelled on the Life Chances and Social Outcomes Funds which were able to provide payments to the first wave of Social Outcomes Contracts. Importantly, at a time of fiscal challenge, these contracts are paid by results, which means that the taxpayer only has to pay when value has been created.

COMMUNITY BUDGETS AT A PLACE-BASED LEVEL

Partnership is not simply about the private sector working better with communities and government, it is about the public sector being a good partner too. In many cases the biggest barrier to partnership is not communities or other organisations, but the inability of the public sector to work with itself.

The good news is that there is a consensus across policy and politics that we need to design services at a place-based level. This means tailoring services to the strengths and characteristics of different areas. Integrated Care Systems and Primary Care Networks are examples of how this is being done in health, but there is a danger that in the rush to do everything at 'place' level, new silos are created between different service areas.

46 Big Society Capital, Outcomes for All: 10 Years of Social Outcomes Contracts, June 2022

"Community budgets" can avoid this problem by bringing together multiple public spending streams into pooled budgets at a placebased level. We know that the investments in one public service area (e.g. culture) can have positive spillover effects into other public service areas (e.g. public safety). However, we do not currently budget that way at a place-based level. Piloting of community budgets in the early 2010s 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 £26bn (2023 prices) over a five year period.⁴⁷

Community budgets also have the potential to bring in the voices of elected representatives, citizens, civil society and business directly into budget setting through 'Community Partnership Boards' bringing a greater range of experience and improving the accountability of public services.

We also know that in general, when asked, communities want invests directly into community institutions. Pooling budgets with community leadership is a way to further strengthen the civic impulse. At the same time, community

leadership requires investment in that civic impulse. Strengthening civic leadership and partnerships in the public interest go hand in hand.

We must not allow community budgets to emerge in a piece-meal fashion, otherwise there is a danger that new barriers are created. The new Office for Place should work with departments, combined authorities and councils to develop guidance for creating community budgets at a local level and ensuring that there is coordination across public service areas. There should be an expectation that every part of the country is covered by a community budget by 2028.

The choice is not between inefficient state delivery public services or private businesses extracting profit from public services. There is an alternative approach, partnerships in the public interest where the state creates the conditions for long term transformation. We know it can be done because in small pockets across the country it is being done. We need to take this to the next level and make the partnership paradigm normal practice, not simply best practice.

⁴⁷ Local Government Association, Whole Place Community Budgets: A Review of the Potential for Aggregation, January 2013

INCREASING ACCOUNTABILITY AND TRANSPARENCY

Rightly, the public will always hold their elected representatives to account for the quality of public services. A new covenant for public services depends on trust and trust requires clear systems of accountability.

Yet over the past decade, there have been efforts - particularly in health and care - to create distance between the institutions delivering public services and elected politicians. Whilst it is important for operational decision making to be taken by professionals that are qualified to do so, politicians cannot remove themselves from strategic decisions.

Public services benefit from having effective political accountability, as can be seen in Greater Manchester where the Mayor of Greater Manchester has the ability to remove the leadership of the police service.

In June 2021, the Mayor removed the previous chief constable as the police service went into special measures. Since that change in leadership, Greater Manchester Police has become one of the most improved forces in the country and has been removed from special measures. Public representatives need to have ways to be able to hold public service leaders to account for poor performance.

The danger is that in one of our largest areas of public service delivery, health and social care, there is minimal political accountability. The new Integrated Care Systems will be led by Integrated Care Boards but the Chairs of these boards are not appointed by local politicians or elected representatives, but by NHS England. The Boards will have representatives from local government but these are only one

voice on the board. Communities themselves do not necessarily have representation on Integrated Care Boards.

The same is true in many parts of the public sector from job centres to prisons, direct political accountability is lacking. This needs to change.

Community Budgets and Community Partnership Boards will help to deliver this, but we also need regular 'performance reviews'. These reviews should be inbuilt into leadership roles for all public bodies and statutory providers of public services.

Leaders of public bodies should be asked to attend public performance reviews with elected Mayors, councillors and MPs given the ability to scrutinise their performance and indicate their continued confidence in their ability to do their work. This should be standard across the public sector, so that politicians are able to challenge poor performance on behalf of their constituents.

We should experiment with new models of citizen accountability such as Citizen Audits, which have been used in Liverpool to give residents a voice over the performance of council services⁴⁸. In these audits, leaders and officials from various council

services listen to the views of local people on the performance of local services and workshop together to find ways to improve local services. Every combined authority and council should use Citizen Audits, or similar models, as a way to ensure that the public is able to participate in public services and hold leaders to account.

We should also build on the ideas of the We're Right Here campaign which have called for communities to be given the right to control public investment in their area. ⁴⁹ This would ensure that citizens are given the opportunity to have their say on new forms of investment coming into their area and ensure that we bring citizens along the journey to improve local areas.

For private and social sector organisations delivering public services, we need to introduce Open Book Accounting principles, something that has been repeatedly recommended by the National Audit Office and Cabinet Office. 50 Open Book Accounting requires organisations to give commissioners (and politicians) access to their financial information, including the true spending on the delivery of public services and any surpluses (or losses) generated through delivery. It is not right that communities and

⁴⁸ https://www.facebook.com/lpoolcouncil/videos/citizens-audit/261590832869899

⁴⁹ We're Right Here, Introducing the Community Power Act, May 2022

⁵⁰ National Audit Office, Open-book accounting and supply chain assurance, July 2015

their representatives often lack the appropriate financial information to understand the decisions that are being made about the delivery of public services, particularly if services are being closed or modified. Mandatory Open Book Accounting would provide transparency and accountability to public service delivery, giving citizens and their representatives the ability to effectively hold providers to account and make decisions on the source of poor performance in public service delivery.

This should also cover not just financial value but social value. Alongside our proposals for all social value commitments to be published, Open Book Accounting should cover the cost of social value so that we can ensure that the value generated is in the public interest and not spent on fashionable gimmicks or merely to generate good PR.

Importantly, we need to invest in the commissioning and procurement functions of the state. The public sector spends over £300bn a year, around £1 in £3, with independent providers. A large part of that spending is in the delivery of various public services. The most important stage of the commissioning and procurement process is the beginning. Creating the right goals

and measures for success, engaging with potential providers to identify the risks and opportunities and creating a fair and robust selection process. Throughout that process communities should be active participants so that they can bring their experience and knowledge to the table.

Despite the huge amounts of public money spent every year, commissioning and procurement teams are usually under-resourced, running multiple bidding processes and often lacking the time to carry out a proper commissioning and procurement process. This can lead to poorly performing providers having their contracts rolled over by default. This is a false economy and encourages a culture of complacency in the face of poor outcomes.

In 2010, the Conservative Party recognised this problem and sought to change the public sector procurement function to improve its professionalism and introduced measures such as the Commissioning Academy to spread best practice. Unfortunately, investment in commissioning public services, in particular, has fallen and the Commissioning Academy has been starved of resources. According to the Local Government Association, 40% of county councils and singletier authorities have a capacity gap in

51 Social Enterprise UK, Creating a Social Value Economy, May 2022

project commissioning and 44% have a capability gap in the same area.⁵²

The Government should create a 'Better Commissioning Fund' a ring fenced resource for public bodies to invest in improving commissioning and procurement functions. This fund should also invest in putting the Commissioning Academy onto a permanent footing, working in partnership with the University of Oxford's Government Outcomes Lab so that best practice in public sector commissioning is shared. Mandatory training and development should be introduced for commissioners and procurement teams to improve results and aid retention.

Accountability and transparency have been at the core of Conservative thinking on public services in recent years, but the job is not done.

We need to open the door to local citizens directly and give power to communities so that they can influence the services that directly affect them.

We should have confidence that when we give people and their elected representatives power they will choose to strengthen the local civic institutions that are central to delivering better public services.

52 Local Government Association, Local Government Workforce Survey 2022, January 2023

COMMUNITY COVENANTS MOBILISING THE PEOPLE

The case in this paper is clear.

We need to reinvent our public services if we want to break the cycle of growing demand, rising cost and worsening outcomes.

Government cannot do this on its own. As we have argued previously, we need to *trust the people*. ⁵³ We can only improve public services if we mobilise the power of communities. This is the greatest resource available to us as we seek to reform public services.

The Levelling Up White Paper recognised the importance of community partnerships to improve public services.

One of its recommendations was to pilot 'community covenants', "new agreements between councils, public bodies and communities themselves to empower communities to shape the regeneration of their areas and improve public services." This recommendation builds on the success of places such as Wigan which have been able to develop partnership agreements between the public sector and local citizens to find better ways to deliver public services.

The Wigan Deal, for example, has saved £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

⁵³ New Social Covenant Unit & New Local, Trust the People, October 2021

⁵⁴ Department for Housing, Levelling Up and Communities, Levelling Up the United Kingdom, February 2022

quality social care.⁵⁵ Only through engaging directly with communities and empowering them can we mobilise the power of local citizens. The example of Wigan shows that when we do things right, we can bring people together to tackle tough challenges on the ground.

Community Covenants are a way to tap into the latent power of communities. They cannot be something that only some places have access to, it is a model that we need to spread across the country.

Government needs to urgently deliver on its plans for community covenants but we also need to put in the infrastructure to capitalise on the public appetite to push public services in a new direction.

Just as The New Schools Network was critical to the development of free schools, the government should invest in a dedicated resource for places so that they can set up their own 'Community Covenants'.

A 'Community Covenants Network' would be independent from the government but with a mission to go throughout the country supporting local communities to develop partnerships with their local councils and combined authorities. These would be published and help citizens

to hold councils to account as well as provide a clear set of expectations for local residents. Key would be to change the culture of public services, moving away from a transactional approach towards a sense of collective responsibility. Based on the costs of the New School Network, a Community Covenants Network should have an initial contract of £5m over the next five years, a small investment but it could create a significant impact.

Proactively supporting the development of community covenants is also a way of avoiding these institutions being captured by narrow pressure groups or the usual 'activists'. We have seen the value of this infrastructure in the development of free schools.

Every part of the public sector talks about "engaging" with the public, but we need to go further than just talking. We need to have forums where communities can make decisions with local authorities, integrated care systems and other public agencies around the future of their local services, understanding the trade offs and challenges, as well as identifying how communities can contribute directly to reinventing the way that services are delivered.

Investing in the development of a

⁵⁵ Chris Naylor et al, A citizen-led approach to health and care: Lessons from the Wigan Deal, June 2019

wave of Community Covenants is a practical way that mobilises the people and creates lasting change.

As importantly, it will also send a clear signal about the Conservative approach to public services. Not just promising, easy solutions or throwing more money at the problems we face. Instead, levelling with the public about the scale of the challenges and asking for their help.

The only way to deliver lasting change in public services is to create hundreds of new civic partnerships that can bind all parts of our community in common purpose.

CONCLUSION

The Conservative Party must not give up on public services.

The tools to deliver better public services are out there but they need to be brought together into a coherent vision that can be communicated to the public and the public sector. In recent years, Conservatives have lost confidence that we can provide a distinct solution to the challenges facing the public service.

As this paper shows, not only are there conservative principles for public services - we desperately need them to reinvent the way that public services are delivered.

At the centre of this vision must be a dose of realism about the role of the state and what it can achieve on its own. The public has seen for decades how politicians have made big promises but have failed to deliver on them.

There is still time to articulate a new vision for public services and go into the next election with a positive Conservative case for what the future can look like.

The good news is that it is based on things that are already taking place, in small pockets, throughout the country led by inspired citizens, public sector leaders and politicians.

We must trust the people and put our confidence in them.

If we can let go of the myth of the all powerful central state and look beyond the bureaucracy, we can see the pathway to building a better future lies in strengthening the power of our citizens and communities.

APPENDIX

CONSERVATIVE PRINCIPLES FOR REINVENTING OUR PUBLIC SERVICES:

THE PRINCIPLES	THE POLICIES
Making people and places resilient, not just repairing them	Reversing the downward trend of investment in families
	 Publishing 'Family Test' assessments for all public policies and Budgets & Spending Reviews
	 Create an 'Office for Families' to advise government departments and publish annual assessment of impact of policy changes on families
	 Create a 1% target for ICSs core spend to go to VCSE organisations
	 Put 25% of UK Shared Prosperity Funds into community-led social infrastructure partnerships
	• Create a £1bn UK Community Investment Bank to create a new wave of local civic institutions that can strengthen communities.
Strengthening our civic impulse	 Put the Community Leadership Academy onto a permanent footing to help people that want to set up new projects or have ideas for how to improve public services in their area

- Deliver on commitment to set up a largescale Community Wealth Fund
- Reactivate the Mutuals Programme and aim for £10bn of public services to be delivered through mutuals by 2030.
- Create a duty for digital teams, such as NHS Digital, to look at how technology can empower community-led public services and not lead to agglomeration of service delivery.

Building partnerships in the public interest

- Increase weighting of social value in public sector contracts to a minimum of 25% to weed out providers that are not aligned to wider public benefit
- All social value commitments should be published for contracts over £5m so that the public and its elected representatives can see how public money is being used and that genuine social value is being created
- Create a £1bn Shared Outcomes Partnership Fund to invest in the next generation of Social Outcomes Contracts
- Develop Community Budgets across the country, with every area covered by 2028
- Oversee Community Budgets with Community Partnership Boards bringing together all key public services, elected representatives, citizens and civil society partners
- The Office for Place to provide guidance on the implementation of community budgets and coordinate delivery.

Increased accountability and transparency

- Regular public performance reviews for leaders of statutory bodies including elected representatives, councillors, MPs and the public with a 'vote of confidence' at the end.
- Encourage use of Citizen Audits to give citizens direct feedback into performance of public services.
- Give local people a 'Community Right to Control Investment' so that new money has to take into account local people's priorities.
- Make Open Book Accounting standard for all public sector contracts to increase transparency and accountability.
- Invest in a 'Better Commissioning Fund' to provide ring fenced investment for public bodies to invest in their commissioning teams and expand the Commissioning Academy.
- Mandate regular training and development for commissioners and procurement teams to improve delivery.

Community covenants: mobilising the people

 Create a 'Community Covenants Network' to support local people and councils to come together in shared partnerships to channel civic action to improve public services.

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At a crossroads in Britain's history, we need ideas for renewal, reconnection and the restoration of hope. Challenges from populism to climate change remain unsolved, and a technological revolution dawns, but the centre of politics has been intellectually paralysed. Demos will change that. We can counter the impossible promises of the political extremes, and challenge despair – by bringing to life an aspirational narrative about the future of Britain that is rooted in the hopes and ambitions of people from across our country.

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Find out more at www.demos.co.uk

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15 WHITEHALL, LONDON, SW1A 2DD
T: 020 3878 3955
HELLO@DEMOS.CO.UK
WWW.DEMOS.CO.UK