

by us, for us

a co-operative party agenda for
enhanced city and county regions

James Scott & Joe Fortune



the co-operative party
local

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Foreword

I am a passionate advocate for devolution, passing power from a few in Westminster to the many across the regions of England.



Devolution, done right, is progressive politics. When power is passed simply from Whitehall to the Town Hall without a real community stake in this new settlement we miss an opportunity. We also need to ensure that we own devolution and that we frame it in our language; handing power from the few to the many. Devolution has to mean politics done *with* people, not just *for* them.

That is why I support the arguments made in this report. We need to see power, resources and accountability set closer to the ground in this country. If we can harness the talent, energy, experience and expertise of people at the local level to help craft the services delivered in their area in response to local needs, then that is bound to be better than a one-size-fits-all approach driven down from a remote and distant London.

We rightly hear a lot about the pressing challenge of economic inequality in the world around us today. But the challenge posed by democratic inequality is no less serious. People do need money in their pockets, but they also need a voice, a stake and a say in the way their society is organised. Too many people feel that they lack that influence over the environments in which they lead their lives. A co-operative approach to devolution in city regions and combined authorities offers the opportunity to level the playing field of our democracy. It is a chance we must take. This important report helps us to understand how.

Jim McMahon MP

Labour & Co-operative Member of Parliament for Oldham West and Royton
Shadow Minister for Local Government & Devolution

Introduction

A fairer society means people and organisations working together and sharing power. It means public services that are accountable to the people who use them, and a democracy in which everyone has a voice.



The Co-operative Party believes the recent devolution of power and services from central to local government has the potential to contribute to the creation of such a society.

But for that potential to be realised, co-operative values and principles must be central to the agendas of the new 'Metro Mayors' and the combined city and country authorities

This report outlines a series of co-operative policy ideas for Labour and co-operative councillors, Party members and policy makers working in the areas covered by the devolution deals. The ideas are both practical, reflecting the terms of the devolution deals already agreed, and aspirational in exploring ways in which existing and future deals can further place power in the hands of communities.

The Party supports the principle of locating decision-making and governance as close as possible to those affected by such decisions. This reflects the co-operative values of self-help, self-responsibility, democracy, equality, equity and solidarity.

The Co-operative Party is also realistic about the threats and opportunities of devolution. In developing the ideas of this report, we have taken account of the position of the TUC in relation to devolution and workers' rights, and the IPPR's regarding how to maximise the positive impacts of devolution. From democratically owned and run transport services to adult social care co-operatives, and from the creation of regional banks to mutual energy providers, there is wide scope for metro mayors and the recently established combined authorities to create a new co-operative economy.

Of course, further devolution is likely, and so the the enhanced city and county authorities should urgently consider the type of powers they can take on board and how they might work together to form a federation of combined authorities.

We hope this report is a go-to resource for those involved in establishing and running the new combined city and county authorities.

Yours in co-operation,

A handwritten signature in black ink that reads "CMcCarthy". The letters are cursive and connected.

Claire McCarthy
General Secretary, the Co-operative Party

Co-operative values & principles



Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of the co-operative movement's founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

The co-operative principles are guidelines by which co-operatives put their values into practice:

■ Voluntary and open membership

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

■ Democratic member control

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

■ Member economic participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following

purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

■ **Autonomy and independence**

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

■ **Education, training and information**

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

■ **Co-operation among co-operatives**

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

■ **Concern for community**

Co-operatives work for the sustainable development of their communities through policies approved by their members.

For more information about the Co-operative Values and Principles, visit www.icap.coop

Towards co-operative economies and communities

This report responds to the question: how can the enhanced city and county regional authorities develop co-operative enterprise in their region and place power back in the hands of communities giving them a real sense of ownership and voice in the services delivered to them?

In doing so it presents policy recommendations in the areas of transport, social care, economic development, energy, regional banking and financial inclusion. These are policy areas either within the deals struck between the recently established combined authorities and central government, or are areas that may be influenced by the future action of the enhanced combined city and county regional authorities.

Background

The UK's regions have a proud history. They powered the industrial revolution, were the birthplace of technologies that changed the world, and traded goods and influence with all corners of the globe. Political innovation followed; the co-operative movement emerged in the north west of England and spread across the country, founded by the belief that ordinary people can come together around a common purpose and improve their lives and their communities.

But today the UK's regions are too often overshadowed by a focus on the centralised power within London and the South East. Over the past forty years economic and political power has become increasingly concentrated in the capital, creating an unequal country where opportunities and wealth are increasingly stacked in the favour of those living and working within the M25. This inequality has had adverse effects on the economy of the UK beyond the South East.

While many areas remain highly productive, in other places economic traditions have been lost, populations have declined, and a shift to low-skilled service jobs has stalled social mobility. Even with the volume of capital that flows through London's financial centre, where productivity and entrepreneurialism exist around the UK, accessing investment and support is often a challenge.

To begin overcoming these problems requires a redistribution of political power away from the centre and into the hands of consumers, workers and those who use public services. The recently established enhanced city and county combined authorities provide the means for redistributing power in this way.

The political consequences of inaction are already being seen. A sense of powerlessness – over decisions affecting the UK and our future relationship to the EU – led a majority of British voters to vote in favour of leaving the EU. Fuelled by a perception that the decisions affecting people's lives are taken from afar, the result represented a rejection of traditional politics.

Co-operatives and mutuals bring decision-making closer to people and communities. As businesses, co-operatives give ownership and control to customers, workers and producers. Applied to public services, co-operative values mean a greater say for service users, and in civil society – from sport to media and education – co-operation ensures people have a voice. Co-operation can assuage the powerlessness fuelling the rejection of traditional politics.

Enhanced city and county authorities have a critical role to play in this regards, spreading economic and political power throughout society. To chart a path forward we must impress co-operative values and principles onto the city and county regions, giving people and communities control over the decisions that affect their lives, and the power to overcome the inequality that is dividing our country.

Building on a tradition of regional co-operation

In presenting a co-operative vision for the enhanced city and county regions below, this report builds upon a strong tradition of local and regional action within the history of both the co-operative and labour movements.

There are many examples of co-operative success at the regional level to learn from. The Mondragon Corporation is a federation of co-operatives that emerged in the 1940s in the Basque region of northern Spain. Suffering economic and political oppression under the Franco regime, the Mondragon co-operative allowed the Basque region to be more self-sustainable, both in creating and retaining wealth.

Germany's system of federal government facilitates the provision of banking and energy at the regional level. This has allowed co-operatively owned regional banks and energy networks to grow across Germany, rooted in the particular needs of the people they serve. In North America, the largest Canadian co-operative provides

procurement and distribution services to other co-operative organisations within the region of Western Canada. Its success reflects the economic coherence of the Western Canadian region, and the prominent role co-operatives play in that economy.

Within the history of the British labour movement it was the municipal socialists who, in the late 1800s, used the levers of local government to own, run and supply to their citizens the necessities of life at that time – gas, water, sanitation and education. It was with a similar belief in the power of local action that George Lansbury led the Poplar rent strike in 1921, defying an unpopular central government policy from his base within local government. Forty years later, this time from within central government, Barbara Castle recognised the need for regions to self-organise their own transport and created the Passenger Transport Executives.

More recently, the 1997 Labour government led the way in devolution for Scotland and Wales, seeking to reverse the impacts of deindustrialisation within the regions by creating the Regional Development Agencies. In the latter years of that government, Labour initiated the Northern Way to improve the east-west transport links in the north of England.

The history of the labour and co-operative movements are defined by a belief in the ability of ordinary people to come together to solve their common problems. Following in this tradition, the agenda presented here is not about moving centralised power from Whitehall to the Town Hall, but about placing power directly in the hands of people and communities.

The recently established combined authorities

In the last two years twelve deals have been developed between groupings of combined city and county authorities and central government. These are listed in the appendix, and although each deal is unique, they cover a range of common themes. Many have been given power over multi-year consolidated transport budgets, and over bus franchising. Control of skills and employability features commonly, as does a new economic development fund. Strategic planning has been passed to many of these combined authorities, whilst some will take a lead in planning integration and future delivery of their local health and social care services.

Our policies at a glance

The policy recommendations listed here are purposely designed for the both the combined city and county authorities and, where applicable, their directly elected mayor.

Co-operative political leadership

- Establish a 'co-operative commission' to explore options for expanding the co-operative sector in their region, including how to co-ordinate different agencies and funding streams to support the growth of co-operatives.
- New mayors should appoint a 'Deputy Mayor for Co-operatives' to champion the growth of co-operatives across their region.
- Establish a forum focused on sharing best practice on how to best develop and support mutual and co-operative enterprise in their region.
- Where legislative change would assist the development of this economic model, the combined city and county authorities should develop a common position when dealing with central government.
- Use the Public Services (Social Value) Act 2012 to recognise and give weight to social value in commissioning and procurement processes.

Local economic development

- Take steps to establish a co-operative investment fund, to be the depository of patient capital invested by public institutions.
- Using their role and knowledge of civic leadership in their region to broker commitments from 'anchor institutions' to invest patient capital in the new co-operative investment fund.
- Use their position of authority to encourage public sector bodies in their region procure goods and services from local co-operative and mutual enterprise when fiscally and administratively possible.
- Where applicable, encourage Local Enterprise Partnerships to appoint at least one co-operative or mutual expert to and report on their efforts to stimulate co-operative and social enterprises.

Co-operative political leadership

Co-operative councillors are at the forefront of turning co-operative ideas into action. They show leadership by making change happen in and for the local communities they represent, and by spreading the values and principles of co-operation into every area of the UK.

Councillors played a central role in the recently established enhanced combined authorities. They informed and led the discussions with central government, ensuring the devolution deals agreed reflect local needs. It is also because of the work of Councillors that the new combined authorities will be able to have an impact on the livelihoods of communities in their region.

Reflecting this central role of councillors, the policy recommendations made in this report build upon the Co-operative Party's existing local government policy platform, as well as making a set of initial recommendations on how the enhanced city and county combined authorities can assist the work of local co-operative councillors.

As a first step, co-operative councillors can initiate a co-operative commission within their local authority or recently established city or county authority. This would investigate how their council can support the development of co-operatives and mutual enterprise, and use as a guide the work of Cllr David Rodgers who led a co-operative commission in Ealing Council.¹

A co-operative commission could also consider how to embed co-operative models of governance and management within the recently established combined authorities, other public authorities, and the services they deliver. For this task a multi-stakeholder model of co-operation could be used to bring all stakeholders – public officials, services users, employees and the wider public – together in the governance of the service or organisation and to establish management structures that reflect co-operative values.

This collaborative approach to governance within public services informs the recommendations made in this report. As argued throughout, developing co-operation in adult social care, transport and energy relies upon new forms of collaboration

¹ <https://rodgers.coop/2016/03/29/draft-report-on-co-operative-enterprise-in-ealing-published/>

between local authorities and the wider public. Similarly, the ideas outlined relate to local economic development, foresee the recently established combined city and county authorities facilitating relationships of mutual interest and activity between local authorities, local 'anchor' institutions and credit lending institutions.

The combined city and county authorities will also enable greater collaboration between councillors within a city or county region. At a time of unprecedented financial pressure on local government, this can help Co-operative Party councillors act to ensure that it is the needs of local people and communities that comes first.

The recently established city and county authorities can assist the work of co-operative councillors by:

- Establishing a 'co-operative commission' to explore options for expanding the co-operatives sector in their region and embedding co-operative governance within public sector bodies and services.
- Appointing a 'Deputy Mayor for Co-operatives' within the combined authority to champion the growth of co-operatives across their region.
- Sharing best practice between other combined authorities on how to best develop and support mutual and co-operative enterprise in their region.
- Developing a common position on the development of co-operative and mutual enterprise when dealing with central government.
- Use the Public Services (Social Value) Act 2012 to recognise and give weight to social value in commissioning and procurement processes.

Working with existing Police and Crime Commissioners, or where directly-elected mayors take on the duties of the existing Police and Crime Commissioner in their region, there is an opportunity for councillors and the combined city and county authority to embed co-operative values within efforts to reduce crime, disorder and anti-social behaviour.

Such an approach to crime and community safety was central to the Party's *Co-operative Agenda for Wales 2016*. This agenda outlined how Police and Crime Commissioners, such as in South Wales, were committed to working collaboratively with other public agencies, the South Wales Police 'family' (officers, PCSOs, staff and volunteers), and with the wider public. Learning from this example, the recently established combined city and county authorities should:

Develop an approach to the reduction of crime and improvement in community safety that is founded on collaboration between public agencies, communities and the wide public.

Such actions would help councillors spread the values and principles of co-operation within their region, putting the Co-operative Party's local government policy into action. Our policy platform for local government focuses on commissioning practices, economic and community development, energy, housing and planning, social care, education and transport. Some of these are covered in the recommendations focused on the combined authorities made throughout report, whilst some remain the focus of co-operative councillors

For example, when commissioning goods and services councils can recognise the added value of co-operatives, designing contracts and procurement evaluations that put co-operative and mutual enterprises on a level playing field with for-profit companies. This can be achieved using the Social Value Act 2012, which asks commissioning authorities to consider the wider value to community in their decisions.

Local authorities can also push to ensure that Local Enterprise Partnerships report on their success in promoting co-operative, mutual and social enterprise in their area, and appoint Board members with relevant experience of these sectors.

In housing, councils and councillors can bring about the development of co-operative housing solutions. Using the planning system, co-operative councillors can support the development of Community Land Trusts, community-led housing projects or mutual retirement homes. Councils can also facilitate the establishment of tenant led management of their housing stock, putting tenants at the centre of decisions over their community.

Applied to education, co-operative values show us how to overcome the fragmentation of the schooling system and the reduction of local accountability. co-operative councillors can explore the potential of co-operative trust models to prevent local schools converting to non- co-operative academies, reducing fragmentation. co-operative councillors can also spread the lessons from successful co-operative cluster arrangements, that see schools working together to procure back office services and resources including SEN and school improvement support. In early years' education, co-operative councillors and councils can consider establishing Sure Start centres as mutuals, protecting them from central government cuts.

There is other innovative support councils can provide to the co-operatives and mutual sector. For example, councils can ensure that assets or services transferred

from the local authority are to asset-locked bodies such as community benefit societies, stopping future demutualisation and privatisation by the back-door.

Similarly, local authorities should help communities who wish to use the powers of the Localism Act 2012 to save local community assets from closure, be it their local pub or post office. This means providing support to communities who wish to make use of existing localism powers, and advocating for an extension of those powers to give community groups a first right of refusal to purchase listed assets. This report will now turn to the policy areas in which the newly established city and county authorities can encourage growth of co-operative and mutual enterprise in their region.

Local economic development

Local economic development strategies attempt to revitalise regional economies so that all have improved wellbeing and a higher quality of life.

Over the past thirty years these strategies have focused on attracting inward investment, developing knowledge based economies and using cultural assets to fuel regeneration.

Economic development has achieved much for the UK's regions. Those cities and regions areas that bore the brunt of deindustrialisation have for the most part moved on from its worst impacts, with populations now recovering after long declines and productive industrial sectors beginning to fuel social mobility¹. Indeed, many of the UK's regions are now thriving.

And yet, the wealth created in these areas is often lost, extracted by forms of ownership that seek short-term profits over long-term productivity. Although more capital flows through London than any other European city, small and medium sized enterprises beyond the South East still struggle to access investment². This is particularly true for co-operative and mutual enterprise. The result is that many areas are precariously balanced and remain vulnerable to economic shocks.

Whilst it is possible to tell a different economic story for each region, there are some overarching trends that show co-operative and mutual enterprise growth is urgently needed. In 2014 seven of the UK's twelve regions had lower levels of productivity relative to the UK than they did in 2007³. Employment had risen to pre-2008 levels in London and the East of England by 2014, but the South West, East Midlands and West Midlands were still far behind. While employment is varied between regions, the recession produced stagnant or falling wages across the whole country⁴

The Co-operative Party believes that local economic development can and should be more ambitious, seeking to build regional economies that are diverse, sustainable and resilient in the face of future economic shocks. Encouraging mutual and co-operative forms of ownership can achieve this, locking wealth into the regions and ensuring

1 www.ippr.org/publications/the-state-of-the-north-2015

2 www.british-business-bank.co.uk/research/small-business-finance-markets-report-201516/

3 researchbriefings.files.parliament.uk/documents/SN06492/SN06492.pdf

4 <http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2014-11-19>

it is reinvested into future business development. This would boost our regional economies and tackle the economic challenges faced across the UK.

This vision requires that those markets fuelling regional economic development be redesigned. They must benefit all people and communities, spreading power and wealth rather than concentrating it in the hands of the few.

The enhanced combined city and county authorities have a critical role to play in this task. Alongside maximising the impact of the devolved budgets for economic development (ranging from £15m to £30m per year for thirty years), they will be able to use enhanced political leadership to alter commissioning practises and provide the infrastructure needed to put co-operatives at the heart of their regional economies.

The Local Enterprise Partnerships (LEPs) also have a role to play. They should place the development of co-operative and social enterprise at the centre of their approach to economic development. At least one co-operative or social enterprise expert should be appointed to each LEP board, and each LEP should report specifically on their success in helping to stimulate the growth of co-operative and social enterprises.

For inspiration we can look to the USA, where co-operative principles are beginning to inform local economic development under the banner of the 'Cleveland Model'. Proponents of this model argue that the dominant approach to economic development has not delivered for urban areas.

The Cleveland model

The Cleveland model builds partnerships between local public institutions and co-operative enterprises to form a system that creates and retains wealth locally, advancing and spreads the benefits of economic development to all citizens. This model of local economic development has already been put into practice in the UK by Preston Council.

Emerging initially in Cleveland in 2008, this new model of economic development has three core characteristics:

- Local procurement: Municipal government bodies and local anchor institutions (universities, hospitals etc.) commit to procuring goods and services from local co-operatives when it is fiscally and administratively possible to do so.

- Co-operative investment fund: Local public institutions place patient capital (investments expecting slow returns) into a local co-operative investment fund, which is in turn used to establish new co-operative and mutual enterprise.
- Local employment: These new co-operative and mutual enterprises benefit from the favourable procurement practices and, due to their forms of employment and ownership, distribute wealth into local communities.

Political leadership, co-ordination and ambition created a system in Cleveland that is overturning the dogma that assumes post-industrial decline in the USA is inevitable. City leaders in Cleveland are rebuilding their city's economy from the ground up, embedding new forms of ownership that redistribute power and wealth. The co-operative advantage is clear to see.

To replicate and advance this alternative model of economic development in the UK, the Co-operative Party recommends that the new enhanced combined authorities should build on the strengths of existing local economic development strategies by:

- Taking steps to establish a co-operative investment fund, to be the depository of patient capital invested by public institutions.
- Using their role and knowledge of civic leadership in their region to broker commitments from 'anchor institutions' to invest patient capital in the new co-operative investment fund.
- Using their position of authority to encourage public sector bodies in their region to procure goods and services from local co-operative and mutual enterprise when fiscally and administratively possible.
- Where applicable, encouraging Local Enterprise Partnerships to appoint at least one co-operative or mutual expert to report on their efforts to stimulate co-operative and social enterprises.

The Co-operative Party believes the recently established combined authorities are perfectly placed to facilitate a new collaborative approach to economic development. By creating a level playing field for local co-operative and mutual enterprises, the combined authorities can ensure that wealth created in their region stays in their region.

Regional banking and financial inclusion

The Co-operative Party believes that if consumers and small businesses are to get a fair deal in the future, the UK will need a reformed banking sector that includes a wide range of national and regional banks, financial mutuals, a strengthened credit union sector, and community development finance initiatives (CDFIs).

Without such reform, financial exclusion will remain a characteristic of the British banking sector. This section of the report makes the case for the recently established combined authorities playing a role in creating a more diverse financial sector that can help to unlock investment potential across the UK and tackle financial exclusion.

The problems the recently established combined authorities can help to address in this policy area are fourfold:

1. There exists a separation between the UK's substantial financial sector and UK industry more widely. More capital flows through London than any other city in Europe, and yet compared to the USA and Germany relatively little of this potential investment benefits other sectors of the economy. This is a wasted opportunity for the UK economy.
2. The retail market is currently dominated by five large banks, all but one of which are headquartered in London. This dominance breeds complacency, and many communities remain excluded from the financial products needed to live an ordinary life.¹ Large, distant banks are also unsuited to partnering with the small medium sized enterprises (SMEs) that are the foundation of economic growth in our regions.
3. UK economic development for the past thirty years has been overly dependent on growth in the financial sector. Other sectors of the economy have struggled, particularly manufacturing. The foundational purpose of the financial sector –

¹ <http://moveyourmoney.org.uk/wp-content/uploads/2016/06/Abandoned-Communities-web.pdf>

to facilitate productivity throughout the economy – has been lost¹. To diversify our economy, we need to first diversify and regionalise our banking system.

4. Too many people across the country remain financially excluded, lacking access to the basic financial products life requires. 1.5 million people still do not have a bank account², and although a cap on the cost of credit has been implemented, payday lenders remain pervasive. There is also widespread overpayment for essential household goods in the Rent to Own sector.

The Co-operative Party believes in a vision of a banking system that supports the wider British economy, has more diverse models of ownership, tackles financial exclusion, and which serves the interests of its communities and customers.

To achieve this vision requires a regional network of co-operative banks, financial mutuals and credit unions whose primary concern is serving their members and wider community, rather than shareholders. In this vein, much can be learned from the German model of public and co-operative banking (see case study on page 27).

The most apt British comparison to the German model of regional banks was the saving and lending activities of the UK's building societies. First established in Birmingham in the 1700s as co-operative saving institutions, these highly local associations allowed members to pool their money, lend to those members wishing to build a home, and raise further collateral when needed.

Over the following centuries building societies spread from the pubs and taverns of Birmingham to most towns and cities across the UK, before a period of merges and then demutualisation in the 1980s and 1990s reduced their numbers to forty-four today. All ten of the building societies that chose to demutualise since the 1980s are now owned by conventional private banks.

The distinction between the German model of regional banking and our own is the role of political leadership and regional government. Germany's model is founded on closeness to the decentralised state through the actions of the Landesbanken and Sparkassen banks. The German co-operative sector mirrors the structures of the public banks, operating locally, nationally as well as regionally.

An unbridled, centralised banking sector with few checks and balances led the UK into the 2007 financial crash. We support regionalism because it allows a greater degree of

1 <http://www.bis.org/publ/work381.pdf>

2 <http://www.friendsprovidentfoundation.org/wp-content/uploads/2015/10/University-of-Birmingham-Financial-inclusion-report-2015-final.pdf>

accountability between bank and customer, ensuring future stability while promoting local economic development. The characteristics of this new banking sector include:

- **Multi-stakeholder**

Regional banks should be owned by their members, with a board chosen via an electoral college and having equal seats for representation of customers, regional business and local political leadership.

- **Asset locked**

The network of new regional banks across England must not be bought or sold by private investors, but instead remain in the ownership of their members in perpetuity.

- **Deposits first**

The new regional banks should not engage in wholesale markets, and instead rely upon funding from their deposits and investments in small and medium sized local businesses.

- **Reinvest surplus**

Any surplus made by the new regional banks should be reinvested into local SME and infrastructure projects, ensuring the development of a sustainable local financial system and insulation from cyclical busts.

- **Accessible**

Following their social purpose, regional banks should seek to make their products open to all so that no one is unnecessarily penalised. This may require investment in financial education locally or tailoring products to meet the needs of those currently excluded.

- **Subsidiarity**

The new regional banks should locate their operations and decision-making as locally as is appropriate. Many operational decisions could be taken at branch level, allowing proximity to local investment opportunities, whilst back office technologies can be operated nationally.

Credit unions and community development finance institutions (CDFIs) should also play a part in the UK's future financial sector. These lenders provide vital consumer credit and finance for small businesses, including social enterprises, using the personal, supportive and advisory approach that banks once provided. They help those who cannot access finance from banks, providing sustainable economic prosperity to some of the most disadvantaged areas of the UK.

One innovative example of responsible finance is Fair for You, which helps people on low to middle incomes purchase essential household goods. The lender is registered as a Community Interest Company wholly owned by Fair for You Ltd, a registered charity whose aim is the advancement of education in relation to money and debt management, and the relief of financial hardship and distress through the advancement, provision and facilitation of affordable sources of credit.

Launched in December 2015, Fair for You represents a not-for-profit challenge to the high cost Rent to Own (RTO) sector, which is dominated by Brighthouse. Fair for You's national online presence, and transparent, flexible and supportive lending, builds upon the approach within the credit union and responsible finance sector. It is a vital development, challenging the exploitative practices and high cost lending of the RTO sector, and a model that the enhanced combined authorities can help to support.

The combined city and county authorities are uniquely positioned to support the growth of regional banking, credit unions, community development finance institutions and other forms of responsible finance. Our vision is one in which each combined authority has a thriving mutual banking sector that invests in regional economic development and provides banking services to all citizens.

To make our vision a reality requires political leadership. The newly created combined city and county authorities can provide this by:

- Forming, with other combined authorities, a national federation tasked with exploring the pathways, legislative barriers, and necessary actions needed for creating a network of regional mutual banks to serve their regions.
- This new federation should present a common position and plan to central government, requesting the devolution or creation of the financial infrastructure needed for creating a network of regional banks.
- The new federation should aspire to deliver the back-office technologies required for each individual regional bank, ensuring economies of scale are embedded in regional banking from the point of initiation.
- As with the network of Sparkassen, the national federation of regional banks, led by the enhanced city and county authorities, should establish a system of checks, balances and shared risk to ensure financial sustainability.

- The new combined authorities can also assist the development of credit unions by promoting payroll deduction for credit union saving to their own employees, making a credit union payroll deduction system a requirement for private organisations tendering for public contracts, and offering a credit union account with initial deposit to every child
- Form a partnership with community development finance Institutions operating in their region and commit to supporting and promoting their activities whenever possible.
- Support the growth of the Fair for You model, either by supporting where possible the expansion of Fair for You or by working with local credit unions to establish a new lending vehicle able to compete within the RTO sector.



Case study 1: German Regional Banks

German public banks consist of 422 Sparkassen (Saving Banks) and 9 regional Landesbanken. The Sparkassen were established by state bodies with a public endowment, and provide banking services to all citizens in their area of operation. Although established by the state, they are expected to make a profit and develop their capital base. However, with the privilege of public funding and access to government comes a commitment to promote the local economy. This is achieved through lending to local SMEs, which may be profitable investments without being profit-maximising.

The Landesbanken operate as the central banks for the Sparkassen. They provide liquidity to the Sparkassen, are allowed to raise capital by issuing bonds, and are owned and run by the Federal state. Unlike the Sparkassen, the Landesbanken can invest surplus more widely in the financial sector.

The governance of the Sparkassen reflects the dual purpose of profitability and public mission. Day to day operations are overseen by an expert management board,

Social care

Our adult social care system is in urgent need of reform. Private companies profiteer, whilst older people, those who rely on social care and the staff that deliver it, pay the price.

The 'market' in social care services is broken, incentivising a race to the bottom on quality and workforce conditions, a lack of accountability, and de-personalised services delivered at scale by ever larger organisations.

The values of social care are lost under the strain of ever tightening budgets and increasing demand. The result is tighter eligibility criteria and hundreds of thousands fewer people getting help, and a propensity to commission services at the lowest price regardless of quality. The numbers providing care informally to family and friends is growing rapidly.

The crisis is made worse by a social care system that is inefficient, fragmented and close to collapse, and a central government response that is haphazard. Whilst adult social care budgets are facing a funding shortfall of between £2.8bn and £3.5bn by 2020, they expect groups of health bodies and local authorities to integrate their services and provide care to an aging population.

The UK's system of social care is institutionally complex. It falls within the remit of several public bodies, primarily the NHS and local government, and services are delivered by public, private and charitable organisations. Unlike health services which are free at the point of delivery, adult social care services are means tested.

The sector is also facing a huge reform programme. Integration of health and social care aims to centre the needs of the individual by ensuring greater co-ordination between physical and mental health, social care and disability services. It will embed preventative measures that reduce unnecessary and costly hospital admissions.

The enhanced combined authorities can push forward the integration agenda, and in doing so embed co-operative values within the care system, ensuring quality is delivered alongside cost efficiency, and that no one profits off another's vulnerability or suffering.

Integration will be achieved through two primary routes. The first is the NHS's Sustainability and Transformation Plans (STPs), which group Clinical Commissioning Groups (CCGs) and local authorities together into 44 'footprints', covering the whole of England. These footprints are charged with designing plans for fully integrated health and care services.

The second route is through the deals struck between the combined city and county authorities, the NHS and central government.

The example of Greater Manchester is at the forefront of this second path. In February 2015, the 37 NHS organisations and all local authorities in Greater Manchester signed an agreement with central government to take charge of health and social care spending and decisions in the city region. This will create ten locality areas across Greater Manchester, which will start to align the CCG and local authority commissioning functions from April 2016 to develop a single commissioning plan, pooled budgets, and integrated governance, decision-making and commissioning skills. Across Greater Manchester, the NHS bodies and local authorities have committed to pooling £2.7bn from a total health and care budget of £6bn.

NHS England have subsequently adopted the Manchester example as a framework to assess the viability of other potential devolution candidates within the STPs. As such, there is a possibility that other combined county and city regions will follow Greater Manchester's lead and agree similar deals with NHS England and CCGs.

Co-operative values and principles can ensure these administrative reforms are democratic in nature, ensuring new nascent layers of bureaucracy are accountable to the communities who rely on health and care services rather than unelected mandarins.

The risk is that integration simply produces another layer of management, without substantively altering the relationship between citizen and service provider. As such, our vision for social care is based on four core characteristics:

- **A multi-stakeholder model**

Those who provide, receive and rely on care have the knowledge of how to deliver good quality, cost effective care. We believe in aligning the interests and knowledge of these multiple stakeholders through the mutual ownership of care services, and so envision care providers that are owned and ran by care recipients and their families, care workers and the wider community.

■ Not-for-profit

Our public services are damaged when they are privatised. Profit is not a suitable motive for delivering services to the vulnerable in our society, be they older people or those with chronic conditions. The motivation should be to help and care for those in need, rather than to exploit their situation. As such the future care sector should not include organisations paying shareholder dividends.

■ Worker rights

Commissioners of care services should adhere to an ethical standard, such as that within Unison's Ethical Care Charter, so that the race to the bottom of workers' rights and pay, and therefore quality, does not continue. When workers' rights are neglected, everyone loses out: care recipients receive sub-standard care, their families have to step in, care workers are overburdened and underpaid (often illegally), and the NHS is hit with unnecessary admissions.

■ Collaborative commissioning

Commissioning of services is most effective when they utilise the knowledge of community representatives and patients. This means reform of the commissioning boards so they give equal weight to expert health and care commissioners, community and political representatives, and care recipients, patients and their families.

The recently established combined authorities have the means to see these principles become a reality. Leveraging their political leadership and ability to coordinate between local authorities and the NHS, the combined authorities should take the following actions:

■ Co-operative compact

Encourage local authorities and their partner NHS bodies to develop a 'co-operative compact' with local co-operative and mutual organisations. Learning lessons from Islington Council's commissioning framework, this compact would set out how the statutory sector and co-operative enterprises will work together to deliver co-operative care in their area, identifying areas of need, promoting co-operative care solutions, and supporting the further development of existing co-operative care providers. The statutory sector will then have to develop an appropriate commissioning framework for delivering the agreed compact. This should include five-year initial contracts for social care co-operatives.

■ Co-operative procurement

Public authorities procuring social care services should ensure that the unique benefits of co-operative and social enterprise delivery models are reflected within the evaluation of bids. This can be achieved using the Social Value Act 2012, which asks commissioning authorities to consider the wider value to community in their decisions. In retaining and reinvesting profits in their service and wider community, social care co-operatives offer a clear benefit to their community compared to private profiteering providers. Offering contracts that were suitable for co-operative providers would help to rebalance the social care market, ensuring fair competition between co-operative and for-profit providers.

■ Healthwatch

Local healthwatch groups champion the rights of local people who use health and social care services. Created as social enterprises within the Health and Social Care Act 2012, they are currently governed by volunteer board members whose expertise or firsthand knowledge of health and social care is used to improve local services. Local healthwatch groups represent the community on local authority and NHS decision-making boards.

The Co-operative Party believes local healthwatch groups should be encouraged to be constituted as membership organisations, open to any person from their community, patient and care recipient, and with boards would be elected by that membership. Democratic reform would give healthwatch more legitimacy.

■ Asset lock

Where social care services are moved outside a local authority, they should not be privatised but mutualised and 'asset locked' to ensure that assets of all types (including any surpluses) are locked within the organisation or transferred to another asset-locked organisation on winding up. This is critical to preventing asset stripping or demutualisation as occurred with the building societies in the 1980s and 1990s.



Case study 2: **Co-operative social care in Plymouth**

Plymouth Council have taken a lead embedding co-operative values into the commissioning of its social care services. While integrating health and social care services with local and regional NHS bodies, Plymouth Council have ensured that commissioning looks beyond cost and 'value for money' criteria, and has given greater weight to 'wider social benefits'. This has meant social enterprises and co-operatives compete on a level playing field with private providers who seek to extract surplus and strip assets. In 2013 Plymouth Council established a local healthwatch, giving those who receive health and social care a powerful voice in the planning, commissioning and monitoring of local services.

Plymouth's Healthwatch also partnered with the Council's Quality Assurance Improvement Team (QAIT), in order to gain independent feedback from residents and relatives of those care homes. In order to maximise the voice and experience of service users, development meetings took place between the two agencies to co-design a process, draft role descriptions, and identify the training required to enable the exercise to go live. Through this partnership there are now a number of lay visitors, who work alongside the QAIT team when they are quality reviewing care homes. Lay visitors are members of the public who have volunteered with healthwatch and who may have been experts by experience, had past experience care or profession and or expressed an interest in care provision. Lay visitors have now helped quality reviewed three homes and are presently developing the workplan for 2014.

Transport: bus services and rail

Transport is the lifeblood of the UK economy. It is rightly cited as having a significant impact on UK economic growth, social inclusion and carbon emissions. The new combined city and county authorities have been given a number of powers related to transport.

Enhanced city and county regions with city deals will, to varying degrees, have further certainty over consolidated local transport budgets, some further control over local roads and the promise, in certain circumstances mainly for Metro Mayor areas, of new powers of bus procurement.

There is scope within new and existing powers for the new enhanced city and county regions as well as new political leadership to provide real opportunity to develop new co-operative form of service delivery which has passenger and user involvement at heart.

Bus services

The provision of bus services has formed an important part of many current City Deals and is underpinned with new primary legislation.

Bus services are the most used mode of public transport in the UK, and they are often the critical link for people and communities. Buses matter. Two in every three journeys taken by public transport are by bus. Every week, almost half of older people rely on them to maintain their independence and to visit friends and family. And for the 64% of job seekers who don't have access to a car, they can be the key to accessing employment and training. More than just a form of transport, buses are an essential public service and community asset.

State of the industry

Each year millions of bus miles are lost on our roads and routes are lost. According to the Campaign for Better Transport, 1300 bus routes have suffered in this way since 2010.

Under the current 'deregulated' system, bus companies are free to choose the individual routes and set timetables for the services they provide. This enables a small number of dominant bus companies to make huge profits by running services on

the most commercially successful routes, while at the same time demanding public subsidy to run those that are less profitable.

Cuts in public spending in recent years has meant a reduction in the grants and subsidies available.

Much of this public subsidy is targeted at routes that play an important role in the economic and social life of communities, but which are not otherwise profitable. Because of this, when bus subsidies fall and bus company profits rise, it is often the communities most dependent on public transport who are disproportionately affected.

With many city and county regions wishing to benefit from increased procuring power within their local bus market, the Co-operative Party believes there is a significant opportunity to develop and promote a different type of bus provision. Harnessing the power of the not-for-profit sector and placing passengers front and centre of procurement will do much to ensure a fairer bus service in city and county regions across the UK. The Co-operative Party supports the enhanced contracting powers being legislated for within the Bus Services Bill. The Co-operative Party understands that the relationship between operator and authority needs to be re-balanced back in favour of the authorities and regions. The Party believes this to be an important step towards bus services which are aimed at passengers rather than profits.

Passenger voice and involvement in decision making

The Co-operative Party believes that passengers are too often ignored through the procurement and delivery of services.

It is regrettable that passenger voice and representation is lacking from an industry so important to them. Whilst Holland shows a possible way forward, with passenger advocate organisations having a stronger legal status than here in the UK. The Dutch authorities and transport operators have to consult these organisations during the tendering process and when designing a new timetable. In most areas, a permanent regional consultation structure between authority, operator and passenger organisations has been implemented in order to institute this process.

While Dutch operators are allowed to alter his original service specification during the contract period in order to respond to changing demand, this freedom limited. Reducing services beneath the original bid is only accepted when the passenger advisory committee (composed of representatives of all passenger advocate's organisations in the area) agrees – and this does happen.

Normally, however, a reduction of supply on one bus route has to be compensated by an increase on another. The municipalities also have the right to come forward to the operator with proposals on service changes or fare offers to attract more travelers. In all cases, the authority has to approve modifications to service specifications before an operator can implement them. This approval is based upon advice from an advisory committee of councillors in all the municipalities covered by the concession area and from a passenger advisory committee.

The Co-operative Party believes this to be a sensible approach to increasing passenger voice and community control and that new City Region Mayor's would have the ability to institute passenger forums and voice within procurement without recourse to further primary legislation.

Promotion and development of not for profit bus services.

The Co-operative Party believes that the development of more not-for-profit operators such as HCT (See case study on page 41) which grow from the community transport sector and are able to take on the 'for profit' sector for commercial routes will hugely benefit the bus industry, passenger involvement and regional bus networks.

The Co-operative Party believes that for too long a small number of large operators have been able to dictate terms to the communities they serve. The Co-operative Party believes there is an important role for new metro mayors and enhanced city and country regions to look towards other forms of business for bus services. Many areas already benefit from not-for-profit operators running the crucial community routes that get more vulnerable members of our communities to the hospital, shops or social activities.

These operators in places like London have been able to develop in order to run bus routes in the same way as the private operators, except they reinvest profits straight in to services (without a shareholder dividend) and ensure a much stronger voice for passengers in services.

With the new powers contained within the Bus Services Bill, enhanced city and county regions will benefit from a greater range of procuring methods including 'franchising' and 'enhanced partnerships'. These procuring processes will allow for greater specificity within local bus services. This re-tilting of the current local authority – bus operator relationships will allow the local authority to provide contracts better suited to not-profit bus operators.

This could include probable profit margins, type of services and size of contract. In addition, making use of legislation such as the Social Value Act would also allow the procuring authorities to better provide services which have a greater focus on profit re-investment and passengers rather than profit-focussed services.

Political support for community transport

Enhanced city and county regions have an important role to play in recognising and encouraging the role of community transport operators. The Co-operative Party understands that the best bus services are at the heart of their communities, promoting inclusion and accessibility. This is exactly the experience and understanding that the community transport sector provides. Community transport covers a wide range of transport services which are often delivered on a not-for-profit basis by a charity; a voluntary or community group; a social enterprise; or a local authority. Community transport often provide critical links for vulnerable and isolated members of our communities. Their role is becoming increasingly important and helps bind us together. Too often the needs of the Community Transport Sector and the not-for-profit work it does are either taken for granted or forgotten. Enhanced city and county regions, using their consolidated transport budgets, will have the ability to give these services the importance they deserve.

Buses as 'assets of community value'

To aid passenger power over bus services, the Co-operative Party advocates an extension in localism powers to include bus routes. This would mean that a bus route could be listed as an asset of community value. This listing, held on a register by the traffic commissioner, would then allow for a moratorium of six months ahead of any removal of the route. This moratorium would allow for the community to campaign for and seek to set up its own bus service along the route, or partner with existing not-for-profit operators.

Heavy and light rail services

In some regions local authorities and newly created combined authorities have full or part control over heavy and light rail contracting.

Areas such as the Liverpool City Region benefit from a locally managed heavy rail service (Merseyrail) and areas such as Tyne and Wear manage light rail systems (Tyne and Wear Metro). In the coming years there will be a high propensity for enhanced

city and council regions to become more involved with rail infrastructure and service management, 'Rail North' is the most obvious current example.

Currently there is no facility for regional rail management to run or procure public sector rail operations and therefore there is more limited scope for passenger and employee decision making. However, it is possible for contracting or co-signatory authorities to ensure that the contracts they let increase passenger and employee engagement within the procuring process and service delivery. Given that these services are likely to be more management contracts rather than traditional Department for Transport franchising, the contract specification process will allow more flexibility and opportunity to ensure a more accountable system is created.

The Co-operative Party recommends that work be undertaken by relevant contracting authorities to ensure that successful bidding companies introduce:

- staff and passenger representation on oversight boards
- a community reinvestment funds are established
- a programme of work within the contract period which increases passenger involvement in decision making.

Recommendations

- The Co-operative Party recommends that bus services procuring authorities make use of new procuring powers to ensure that the Social Value Act is applied to new contracts.
- The Co-operative Party recommends that bus services procuring authorities plan for greater development and use of not-for-profit bus operators to deliver commercial bus services.
- This should include consideration of size of contracts offered and type of bus service tendered for.
- The Co-operative Party recommends that enhanced city and county regions increase passenger representation within the delivery of bus services through the procuring process and within the obligations of the operators that are chosen to run the routes.

- The Co-operative Party recommends that enhanced city and county region political leadership place greater emphasis, support and increase partnership opportunities for the community transport sector in their regions.
- The Co-operative Party calls on the enhanced city and county regions to join with the 'Peoples Bus' campaign in order to lobby for the extension of the Localism Act powers to include bus routes.
- The Co-operative Party recommends that work be undertaken by relevant contracting authorities to ensure that successful bidding companies for regional managed heavy and light rail systems introduce:
 - staff and passenger representation on oversight boards
 - a community reinvestment fund is established
 - a programme of work within the contract period which increases passenger involvement in decision making.

Case study 3: HCT Group

HCT Group has its origins in Hackney Community Transport, which was founded in 1982 and is the world's leading transport social enterprise. This organisation safely provides over 20 million passengers trips each year including London bus routes.

HCT deliver a range of transport services – from mainstream bus services to social care transport, from school transport to park and ride, from community transport to education and training. HCT reinvest the profits from their commercial work into further transport services or projects in the communities they serve. Rather than having shareholders as HCT's priority, HCT share the service commissioner values



A demonstration of their work can be seen in the States of Jersey who re-tendered their bus network, they were looking for a different kind of relationship with their bus operator, one based on true partnership.

“We’ve welcomed having a genuine, open partnership with HCT Group in Jersey. Working together has meant saving a great deal of public money, improving services – and growing bus ridership.

The profit share agreement we have has meant more money for us to invest in transport infrastructure – a real win-win – and HCT Group’s social enterprise model will mean a new parish bus service helping the most vulnerable to get and out and about.” – Tristen Dodd Director of Transport, States of Jersey.

In figures, HCT Group provided 21.2m passenger journeys in 2014/15. 84% of service users say they could get out more thanks to service it provides, 73% said they have improved access to healthcare. In 2014, bus travel in Jersey increased by 11%. 59% of passengers have access to a car but choose the bus. Passengers in Jersey rate the service 7/10. The current maximum fare for anywhere on the island is £1.70 (shorter journeys are £1.20) compared to a UK average of £2.00 for a three-mile journey.

Energy

The UK's energy market is in urgent need of reform. Most energy customers are served by just six companies. This oligopolistic dominance is allowed by a market that lacks transparency, regulation and competition. The result is higher energy bills: between 2010 and 2015 household energy bills increased by over £300, and a small business owner saw their energy bill rise by more than £13,000 over the same period.

The cause of this broken market can be traced back to the decision to privatise the nationalised energy sector in 1989. On leaving office, Margaret Thatcher declared she had given 'power back to the people', and argued privatisation would deliver efficiencies and cost savings for customers. But with the 'big six' now controlling 86.6% of the domestic market, prices rising and a stalled shift to renewables, privatisation has shown to be a failure.

The consequences of this are severe. More than 10% of households are fuel poor – too often facing the choice between heating and eating¹. Companies use their dominant market position to inflate prices at the same time that their poor environmental progress puts our future at risk.

Energy experts often see solutions to high prices, energy security and climate change as competing and mutually exclusive. The Co-operative Party believes such analysis is flawed as it fails to recognise the transformative impact that joint action by communities and local authorities could have on the energy market. By working together, local political leaders and communities can meet all three challenges head on.

This work is already happening, with a number of councils facilitating collective purchasing schemes, creating planning frameworks that support community energy projects, allowing the buildings to be used for new production schemes, and investing in the infrastructure that makes community energy more effective.

Far too often, local communities feel disengaged from energy projects that are imposed on them by government with little consideration for local opinion. This leads to either strong local opposition or poor uptake of community led schemes. While communities are consulted on new projects, they often lack a real sense of ownership. Joint action between local authorities and community energy, guided by the principles

¹ www.gov.uk/government/uploads/system/uploads/attachment_data/file/533241/Annual_Fuel_Poverty_Statistics_Report_2016.pdf

of co-operation, can begin to overcome these barriers and lead to an expansion of decentralised energy production.

Bristol Council

Bristol City Council are demonstrating how UK local authorities can support the development of community energy:

- The authority provided seed funding to Bristol Energy Co-operative (BEC), a community-owned energy co-operative established in 2011 that aims to grow Greater Bristol's local green energy supply and making the benefits available to all. BEC develop renewable energy and energy efficiency projects, and help others to do the same. BEC's projects are funded by investor members, who receive interest on their investment from the money they receive for the energy they produce. BEC is governed via a one-member one-vote basis at their AGM.
- The Council established the Bristol Community Energy Fund to provide grants and loans to those hoping to start community energy schemes. As of July 2016 the Fund has awarded £53,000 in grants to 12 community energy projects.
- Furthermore, they established Bristol Energy, a company wholly owned by the local authority that buys energy from the market and sells it to residents of Bristol and UK residents at fairer tariffs than those offered by the 'big six' providers. As of June 2016 they had just under 10,000 customers.

Cornwall Council

Cornwall Council have also been proactive in their support for community energy, having secured a number of commitments from central government within their Devolution Deal (signed in July 2015). These commitments are designed to help tackle the specific challenges facing Cornwall as it shifts from a traditional energy market to one characterised by community producers and renewable sources.

- Central government will work with Cornwall Council to address network constraints within the region, with a focus on the deployment of smart grid solutions and innovative investment models that offer value for money for taxpayers and consumers.

- Central government also committed to working with Cornwall Council to assess the viability of deep geothermal, and on a proposal that for how to support energy efficiency improvements in homes, and how these can best take account of local knowledge, housing stock and local delivery options.
- An agreement to develop a series of pilot projects that will support the roll out of community energy that can be replicated nationally. Such pilots will focus on investigating how local and neighbourhood plans can support local ownership models, and looking into off-gas grid community energy solutions¹.

However, in their support for community energy Cornwall Council have gone beyond the commitments of their devolution deal. They operate a revolving loan fund that provides construction funding for community energy projects, providing competitively prices finance with a supportive approach and favourable view of risk wherever possible. As of July 2016, £1.3m has been invested or committed, unlocking approximately 1.3MW of community-owned generation.

They have also implemented a planning framework that gives priority to community energy projects, giving those wishing to establish a scheme more certainty, and have published neighbourhood planning guidance to help local communities develop their own energy policies to support their projects over the long term².

The Council have also established a forum for the community energy groups, enabling those leading community energy projects to be kept up-to-date of the latest policy changes, funding and development opportunities. Furthermore, Cornwall Council are also investigating the feasibility of establishing an energy company, part-owned by the Authority and wider community, to take forward community energy schemes across Cornwall.

Germany municipal energy

Evidence from German and Danish energy markets (see case study on page 48) indicates that a balance between efficient, large-scale power generation and decentralised energy generation is needed to overcome the energy problems faced in the UK³.

Since 1990, German citizens have had a legal right to be producers and suppliers of electricity to their grid system. The right to generate has become the power to transform, providing the platform for constructing a more open, democratic and sustainable energy market. Over the course of a decade, renewable energy has

1 Cornwall Devolution Deal (2015)

2 www.cornwall.gov.uk/media/19534882/neighbourhood-planning-advice-energy-efficiency-and-renewable-energy-a-community-led-approach-final.pdf

3 <http://www.tcpa.org.uk/data/files/ceg.pdf>

become the largest supplier of electricity, providing 28% of the country's electricity needs.

More than 50% of this supply is owned by households, communities and farmers, with less than 13% owned by the utility companies. This transformed energy market now operates without subsidy, having delivered 400,000 jobs and lower energy prices than five years ago.

Similarly, the German energy market provides a glimpse of how municipal owned energy suppliers can compete with dominant private providers. In Munich, the municipal owned infrastructure company – Stadtwerke München GmbH – supplies electricity for 95% of Munich's 750,000 households. The municipal organisation generates, distributes, and sells electricity through combined heat and power, hydropower, geothermal, solar, wind and biogas plants to residential and business customers; and supplies climate-neutral natural gas throughout Germany.

In 2008, Stadtwerke München committed to producing from its own renewable plants as much energy as is required by the entire city of Munich by 2025. This would make Munich the first city in the world with a population greater than a million to be entirely fueled by renewable energy.

Principles

The recently established combined city and county authorities can play a critical role in finding the right balance to deliver efficiencies by breaking up the monopolised energy market and moving the UK to a sustainable future. With additional political leadership and institutional capacity, they can in partnership with community energy schemes lead the change needed to truly give power back to the people, empowering customers and community suppliers.

Their role is made all the more important by the reduction of the Feed-In Tariff (FIT) and the removal of the Renewable Obligation (RO) scheme for solar PV (with capacity of 5MW or below). The new combined authorities will have to develop innovative ways to promote renewal energy¹, and seek to blend co-operative and municipal approaches to energy production and consumption is one such way.

The Co-operative Party believes this work can be guided by two principles:

1 <https://www.gov.uk/government/news/changes-to-renewables-subsidies>

■ Mutualism

The new combined authorities should seek to form partnerships with community energy producers and local consumers that are truly mutual, rather than simply collaborative. Such mutuality is based upon the sharing of ownership and rewards within a single organisation, rather than the temporary collaboration between separate organisations.

■ Green

Our continuing reliance on fossil fuels places an unsustainable and dangerous burden on our environment, and sustained increases in the levels of carbon dioxide and other greenhouse gases could have grave consequences for our global climate. Tackling these problems means shifting to renewable energy production; this must be central to the development of community energy by the combined city and county authorities.

Recommendations

To see these principles become a reality, the combined city and county authorities can take a range of steps:

- Evaluate the potential pathways open to developing partnerships with co-operative energy schemes, and publish a plan for establishing a municipal-led co-operative energy transformation in their region.
- Establish a community energy company part owned by the local authorities and part owned by community investors. This mutually owned energy company would act as an investor vehicle for new community energy projects and for community switching schemes.
- Facilitate a network of community energy schemes in the region, providing policy, fundraising and business development support.
- Make public buildings available for community-led solar co-operative enterprises.
- Commit to a target of an annual increase in the number of energy co-operative schemes.

Energy suppliers must be more accountable to their customers, and communities should more easily be able to produce their own energy. The steps outlined here can help offer an alternative to the 'Big Six' and a means of providing sustainable energy that contributes to overcoming the climate crises we face.



Case study 4: **Community engagement in Denmark**

Denmark is an excellent example of a pioneering market leading the way in renewables and energy efficiency. Whilst it is important to highlight the unprecedented level of support which the Danish government has given the sector through a supportive regulatory framework and built-in incentive schemes such as feed-in tariffs, it is also important to note the role that co-operatives have played.

The direct engagement of communities – encompassing households, businesses, farmers and local authorities – has been central in the development of the Danish decentralised energy sector. The 1996 energy plan – ‘Energy 21’ – sought to ensure that ‘the energy sector is well rooted in a democratic, consumer-orientated structure... robust in relation to market developments’ to be achieved through an emphasis on consumer ownership and consumer democracy.¹

This is evidenced by looking at the various technological developments:

Wind farms: 23% of Denmark’s wind capacity is owned by investor cooperatives with 100,000 members, largely individual citizens, owning over 3,200 turbines. Local authorities share ownership in a number of substantial wind farms.

Biomass fuel: Farmer-owned businesses and co-operatives manage the fuel supply chain and own the majority of the 120 straw and wood fuel district heating plants.

Annex

Table 1: Summary of combined authority deals¹

| City/County Region | Governance | Deals |
|-----------------------------|--|---|
| Cornwall | Cornwall Council and Cornwall and Isles of Scilly Local Enterprise Partnership | Bus franchising; future education training and learning; integration of local and national business support services; central government commitment to advance proposals for a low carbon enterprise zone and other energy project; local health organisations invited to produce business plan for integration of health and care services. |
| East Anglia | Two new East Anglia Combined Authorities | <p>Transport budget, including Key Route network of local authority roads; chair Joint Asset Board; strategic planning and housing; £30m a year investment fund to boost growth; review of 16+ skills provision; 19+ adult skills funding.</p> <p>Since the original East Anglia deal was published in March 2016, discussions with Government have led to a proposal to have two deals (Norfolk/Suffolk and Cambridgeshire/Peterborough). As part of the proposed deals, two new East Anglia Combined Authorities would be created with Directly Elected Mayors.</p> |
| Greater Lincolnshire | Combined authority with directly elected Mayor | <p>Bus franchising; local transport budget; chair Joint Asset Board; £15m a year investment fund to boost growth; strategic infrastructure plan; review of 16+ skills provision; 19+ adult skills funding from 18/19; input into national Work and Health Programme; co-commissioning of some services to those receiving short criminal sentences; contribute to outcome of Water Resources Study.</p> <p>A deal has been agreed with Government, but subsequently voted against by Lincolnshire County Council. Conversations are ongoing.</p> |

¹ Provided by the Local Government Association, correct as of 8/11/2016

| | | |
|---|--|---|
| <p>Greater Manchester</p> | <p>Combined authority with directly elected Mayor</p> | <p>Transport budget; bus franchising; smart ticketing; strategic planning; £300m Housing Investment Fund; Mayor to take on responsibilities of the Police and Crime Commissioner; business support budgets; the Apprenticeship Grant for Employers; redesigning Further Education; co-commissioning the Work Programme with the DWP; retention of 100% of business rates; joint control of £6bn of integrated health and care services with local NHS England; a Community Investment Levy; Business Rates Supplement (subject to legislation); MOU with the British Business Bank on supporting local SMEs; Intermediate Body status regarding EU funding.</p> |
| <p>Liverpool City Region</p> | <p>Combined authority with directly elected Mayor</p> | <p>Transport budget; bus franchising; strategic planning; creation of a Mayoral Development Corporation; £30m a year investment fund to boost growth; review of 16+ skills provision; 19+ adult skills funding from 18/19; piloting of 100% business rate retention; commitments from central government to work together on children's services, business support, health, housing, justice and employment support.</p> |
| <p>North East Combined Authority</p> | <p>Combined authority with directly elected Mayor (2017)</p> | <p>Transport budget; bus franchising; infrastructure improvement; smart ticketing; £30m a year investment fund to boost growth; redesign of 16+ skills provision; devolved business support; Commission for Health and Social Care Integration (with the NHS); the North East Land Board to identify land for housing.</p> <p>Discussions regarding North East devolution are on hold following a Government announcement on 8 September that the region's deal had been withdrawn. Conversations are ongoing.</p> |
| <p>Sheffield City Region</p> | <p>Combined Authority and the Local Economic Partnership</p> | <p>Transport budgets, including Key Route network of local authority roads; bus franchising; strategic planning; business support; joint working between local authorities and the Homes and Community Agency; adult skills funding and provision; £30m a year investment fund to boost growth.</p> |

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| <p>Tees Valley</p> | <p>Combined authority with directly elected Mayor (2017)</p> | <p>Transport budgets; creation of new Mayoral Development Corporation, and a land commission to examine what publicly owned land and other key strategic sites should be vested in the development corporation; £15m a year investment fund to boost growth; a comprehensive review and redesign of the education, skills and employment support system; business support.</p> |
| <p>West of England</p> | <p>Combined authority with directly elected Mayor</p> | <p>Transport budgets, including Key Route network of local authority roads; bus franchising; strategic planning; £30m a year investment fund to boost growth; 19+ Adult Education Budget; co-design the new National Work and Health Programme.</p> |
| <p>West Midlands Combined Authority</p> | <p>Combined authority with directly elected Mayor (2017)</p> | <p>Transport budgets, including Key Route network of local authority roads; bus franchising; 19+ Adult Education Budget; establish a West Midlands Investment Fund bringing together resources for economic growth, skills and employability, regeneration, transport and housing, to which central govt. will contribute £36m a year.</p> |
| <p>West Yorkshire Combined Authority</p> | <p>Combined authority</p> | <p>The deal grants the Leeds City Region greater influence over investment decisions on skills, transport, housing and support for small businesses.</p> |

About the Co-operative Party

The Co-operative Party is the political arm of the co-operative movement. We have more than 9,000 members. Our party was established in 1917 and have had an electoral agreement with the Labour Party since 1927.

We believe that people achieve more by working together than they can by working alone. We support the efforts of those who seek success through that co-operative endeavour.

We believe that the only way to create a just and fair society is through power being spread evenly throughout society, and not arbitrarily based on wealth, class, gender or race.

We work to promote co-operatives and all forms of mutual organisation. We work with the Labour Party in the UK to influence its policies towards more co-operative solutions.

There are 27 Labour and Co-operative members in the House of Commons, 15 in the House of Lords, 8 MSPs, 9 members of the Welsh Assembly, as well as members of the Greater London Assembly and hundreds of councillors.

politics for people

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