

a co-operative  
agenda  
**for Britain**

**the co-operative party**  
politics for people



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This document sets out the Co-operative Party's policy agenda. It is based on the Co-operative Party's two year policy process which resulted in 12 policy documents which were debated and agreed at the Co-operative Party's annual conferences in 2013 and 2014.

# Introduction

Over recent years, the major institutions that affect our lives have been found wanting, at a great cost to us all. Our economy no longer works for working people, distributing bumper bonuses for the rich and real wage cuts for the rest.

While many British firms are highly productive and innovative, too many companies rely on a low-quality growth model based on weak regulation, low skills and low wages. The obsession with quarterly earnings reports means that too many companies think on a three month rather than a 30 year horizon.

This low quality model of capitalism has begun to affect the economy's distribution of rewards. Average real wages have not risen for more than 10 years. The share of national income paid out in wages is falling. All this while fixed costs such as food, transport and energy rise, leading to the largest fall in living standards since the 1870s. Across our public services, too much continues to be run centrally from Whitehall departments or is not joined up enough to holistically meet the needs of individuals or families. Too often, this means that the voice of individual users disappears under the weight of a centralised bureaucracy as public sector organisations become focused on a narrow set of centralised targets.

There is a feeling that both large private and public sector organisations that affect our lives are no longer being run in our interests.

In his Hugo Young lecture last year, Ed Miliband declared that his mission in government would be to tackle the "unaccountable concentrations of power wherever we find them." Whether standing up to the vested interests in our

economy, or devolving power in the public services that we rely on, he has made it clear that he is seeking a fundamental change in the way that Britain is run and governed.

This document seeks to address this challenge head on. Our primary argument is that the way to do this is to build and shape institutions that serve our collective needs rather than have our lives and circumstances impacted by forces over which we have little control.

As the earliest advocates of 'people power', the Co-operative Party has a long history of championing the devolution of power to the lowest practical level. This document recognises and supports the reality of devolution to our nations, city-regions and localities – and the Co-operative Party will take forward proposals for Scotland, Wales, London, Manchester and other local authorities in our platforms for their respective election campaigns.

Over 150 years ago, the co-operative movement was founded so that working people could come together to protect themselves from the vagaries of the market and acquire the power to collectively improve their lives. While the challenges of this era are substantially different, our cause is the same.

Through being accountable to their customers or employees rather than millionaire investors or hedge fund managers; well-run co-operatives and mutuals can focus on developing long-term social rewards ahead of short-term private gain.

“

The time in which we live and the challenges we face demand that we should always be seeking instead to put more power in the hands of patients, parents and all the users of services.

Unaccountable concentrations of power wherever we find them don't serve the public interest and need to be held to account.

But this is about much more than the individual acting simply as a consumer. It is about voice as well as choice. Individuals working together with each other and with those professionals who serve them.

**Ed Miliband**



As we seek to champion a different way of doing business, a strong and vibrant mutual sector must undoubtedly play a significant role. The election of a Labour & Co-operative government should mark the start of a new era of co-operative expansion, establishing a new culture of co-operative entrepreneurship.

Whether it's a question of people coming together to take on the energy companies, the train operators, or even the payday lenders; co-operative and mutual organisations can provide a means through which people can collectively meet their aspirations and help change behaviour for the better.

Yet for the foreseeable future, it is likely that most significant enterprises will continue to be owned by shareholders. Building a private sector more in tune with co-operative values is necessary if we are to truly change the way that our economy works.

This document makes the case for establishing a 'John Lewis Economy' - where employees are able to share in the ownership, decision-making and profits of Britain's businesses.

Employee ownership and profit sharing incentivises staff to work towards raising company performance and rewards them fairly when they are successful. Shared decision-making allows employees and managers to work together to resolve problems and raise productivity. Through creating a partnership between management and employees, it can provide the means by which higher returns for both staff and owners can be generated and shared.

As our world becomes more and more interconnected, it is becoming increasingly apparent that no nation is insulated from what goes on elsewhere, and no country is able to solve all of its problems on its own. Whether it's a question of dealing with a precarious global economy, the looming catastrophe of climate change or the continued emergency of global poverty; co-operation between nations has never been more important.

The massive fiscal challenges facing the next government, which will have to cut spending, make it all the more necessary to get every pound of value out of services by showing we can do more with government. But long-term sustainable budget savings can only be made if we rethink and reform public services while delivering standards that people need and expect.

From co-operative trust schools to social housing mutuals, we have seen the benefits that genuine mutual endeavour can bring to public services; providing real democratic accountability, giving users, employees and other stakeholders a real say in how their organisations are run. This way the quality of service is not dependent on the commands of producer interests or the whims of market forces, but on frontline expertise and the needs of the people that they serve. When established as genuine mutuals, public assets are locked into community ownership, providing further protection against privatisation and asset stripping.

For almost 100 years, the Co-operative Party has stood for giving economic and political power to everyone in our society. This ideal has never been more relevant.

The time for action is now.

# Policy summary

## A different way of doing business

As we seek to restore the link between hard work, reward and an ethical approach to business, there has never been a time in which co-operative values and principles have been more important.

As we emerge from more than a decade of falling living standards, we need to pioneer a new approach to business that will ensure that all people will be able to share in its reward.

### Supporting co-operative and mutual enterprise

Co-operative and mutuals differ from their PLC competitors in one crucial respect; they exist to provide a service for their members rather than to generate profits for external shareholders.

The election of a Labour & Co-operative Government should be the beginning of a process to establish a culture of co-operative entrepreneurship in the UK.

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### Investing in a co-operative future

Investment needs to be not only focused on what it can generate for individuals but also what it could provide for the community.

The self-help model of funding can not only offer a safe and robust investment for individuals, but also provide us with services that can collectively improve our lives

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### Employee ownership

Giving employees a stake in their business provides workers with economic gains and creates companies that are responsive to their frontline staff.

Tax incentives on employee ownership schemes should be reformed so that they are targeted at schemes that give employees a collective, democratic voice, and employees should be given a statutory right to request employee ownership during business succession

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### Profit sharing

Britain is in desperate need of a pay rise, and one of the best ways to do it is to give British workers a share of the profits.

Labour should legislate to ensure that all British businesses with more than 50 employees are obliged to set up a profit sharing scheme with their staff, with a minimum profit share pot set aside based on a calculation of its annual profits and its financial position.

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## Changing the way that businesses are run

In the European 'stakeholder' approach to business, employees are given a formal role in making decisions about how a company is run. All publicly listed companies should have a 'duty to involve' their employees at a workplace level, and have representatives of employees and other stakeholders on the board.

The Government should ensure that institutional investors become more accountable to the pension fund savers who ultimately own a great deal of Britain's biggest companies.

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## Closing the deficit through fairer taxes

The UK should join with our 11 European neighbours to introduce a financial transactions tax which would cover all trades in equities, bonds and derivatives.

The Government should replace business rates and stamp duty with a land value tax, applicable to all land apart from property with an occupied primary residence on it.

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## Reforming markets

Too many of our markets are failing too many people in our country. This is damaging for our economy as well as the fabric of our society.

Whether it's a question of people coming together to take on the energy companies, the train operators, or even the payday lenders; co-operative and mutual organisations can provide a means through which people can collectively meet their aspirations and help change behaviour for the better.

### Consumers

Next Generation Intermediaries (NGIs) have enabled consumers in some countries not only to individually compare prices but to collectively negotiate them.

The Government should create a legislative framework for these consumer clubs to help more people get a fair deal. It should also replace Britain's multitude of complaint handling services with a single Consumer Ombudsman with US-style powers.

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### Financial services

Labour should legislate to introduce a new 'duty to serve' which would force UK banks to demonstrate that they are serving individuals and SMEs from all backgrounds.

Every adult, household and business should have access to a basic package of fair and affordable finance tools, including a basic transactional bank account, a savings scheme, access to credit, physical access to branch banking facilities, insurance and independent money management advice.

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## Credit unions

The Government should impose a levy on payday lenders which would be used to build the capacity of credit unions and other providers as a means of providing affordable alternatives. Part of this money should be used to offer a £20 deposit into a credit union account for every child, opened in their first year at primary school.

The Ministry of Defence should work with service charities and the credit union movement to deliver on its commitment to support the development of an Armed Forces credit union.

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## Energy

The Government should commit to a dramatic increase in community energy, offering a new right for communities to invest in new energy generation projects and to take over ownership of their local electricity grid supply. The Government should pilot the direct supply of community owned renewable energy to local residents - with a view to making it a mainstream form of energy supply by 2020.

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## Transport

The Government should legislate to enable a not-for-profit operator, run in adherence to co-operative principles, to be established on the railway. As a 'guiding mind' for the railway, Network Rail should adopt a genuine mutual

structure to become more accountable to passengers and the public.

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## Housing

Britain needs a new approach to tackle this crisis of housing supply and affordability. Co-operatives can play a role in helping to increase the supply of affordable housing, while also creating employment opportunities in the construction industry and stimulating economic growth.

The Government should take the concerted action that is needed for Britain to build 20,000 co-operative homes per year.

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## Sport

The Government should give fans the right to appoint a minimum of two board directors of all football clubs. Supporters' trusts should be guaranteed the option to buy up to 10 per cent of the shares of a club at the point of transfer of ownership. The Government should also legislate to protect club names and club colours from change without the approval of a legally constituted supporters' trust

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## People powered public services

The massive fiscal challenges facing the next government, which will have to cut spending, make it all the more necessary to get every pound of value out of services by showing we can do more with government.

But long-term sustainable budget savings can only be made if we rethink and reform public services while delivering standards that people need and expect. The last ten years have seen significant growth in public sector mutuals. These can provide the efficiency gains of the private sector whilst providing real democratic accountability, giving users, employees and other stakeholders a real say in how their organisations are run.

### Integrating health and social care

The integration of health and social care requires the development of systems built on co-operative values and principles - giving clinicians, frontline staff and patients the opportunity to shape services in a more co-ordinated and joined up way. Monitor should toughen the regulatory framework on NHS Foundation Trust hospitals to ensure that service users are more engaged in decisions taken by local hospitals.

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### Schools

The move to a co-operative model provides a framework in which everybody with a stake in the school's success - parents, teachers and support staff, local community organisations and pupils - the opportunity to be involved in running it. The Government should legislate to ensure that all mainstream state-funded schools can establish co-operative governance structures, should they choose to do so. All schools should become more accountable to parents, pupils, staff and the local community.

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### Co-operative councils

Co-operative councils are pioneering a new approach to council services around the concept of local councils being more 'co-operative' in how they deliver services. Whilst being a co-operative council means different things in different places, underpinning the model is a genuine commitment to working with local residents and communities, rather than merely doing things to them.

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### Local public services

More needs to be done to support smarter and more strategic commissioning and procurement of both goods and services. Co-operative and social enterprises are often able to better meet the needs of end users because their services are influenced by them. They also tend to provide added value through meeting social, environmental and economic development goals, and can deliver services to hard-to-reach groups and work in areas of market failure.

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## Communities - transferring power and assets

The Government should make it easier for communities to take over local services and assets. Existing rights under the Localism Act should be strengthened to give community groups a first right of refusal to purchase listed assets, and a 'right to try' when local authorities decide to externalise services.

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## BBC

The BBC is the largest broadcasting corporation in the world and a pillar of Britain's cultural life. Yet with huge sums of money spent annually on services, the public deserves to have more of a say in the package of programmes and services that are delivered. For the BBC to become truly accountable, all television license holders should be given real say over how the BBC Trust is run.

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## Police and crime

Successful approaches to policing and crime reduction put citizens at the heart of the fight against crime. Public participation in police work has always been vital, but as resources become tighter it is becoming ever more vital. The Government should do more to unlock the hidden wealth of voluntary activity and social networks to contain and prevent crime.

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## International issues

As our world becomes more and more interconnected, it is becoming increasingly apparent that no nation is insulated from what goes on elsewhere, and no country is able to solve all of its problems on its own.

Whether it's a question of dealing with a precarious global economy, the looming catastrophe of climate change or the continued emergency of global poverty; co-operation between nations has never been more important.

### Free and Fair Trade

The Co-operative Party believes that trade is an important tool in driving economic growth, improving living standards and the fight against global poverty. The UK Government should continue to champion an end to trade distorting subsidies and tariffs which stop developing countries being able to sell their goods at fair prices in more economically developed markets.

The Government should campaign for lower, or no, EU tariffs for fairly traded products and a change in international trade rules to create favourable tariff regimes for sustainably produced products.

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### Fair tax

The current system of global taxation is deeply flawed, with African countries losing US\$50 billion a year to illicit financial flows. The Government should ensure that action to tackle tax havens and tax avoidance is top of the international agenda.

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### Protecting the future of our planet

Our continuing reliance on fossil fuels places an unsustainable and dangerous burden on our environment, as well as aggravating international tensions and jeopardising progress towards social justice.

The Government should continue to advance international action on climate change, playing a leading role in pressing for and delivering international agreement.

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### Tackling Global Poverty

The co-operative movement is one of the largest organised segments of civil society with over 800 million members and plays a crucial role across a wide spectrum of human aspiration and need. The Government should work with the co-operative movement and its international partners to set up a Co-operative Agency for International Development, which will provide support and build international co-operative capacity.

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### Human Rights

The Co-operative Party believes that human rights are universal, and that it is the job of strong and mature democracies to support the development of free societies. The Government should legislate to provide victims of human rights abuses with access to the British courts for remedy, compensation and criminal prosecution - when these are found have been committed by, or in collusion with, UK based multi-national companies.

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# A different way of doing business

The financial crash of 2008 shone a torch on many of the underlying weaknesses of the British economy. While many British firms are highly productive and innovative, too many rely on a low-quality growth model based on weak regulation, low skills and low wages. The obsession with quarterly earnings reports means that too many companies think on a three month rather than a 30 year horizon.

This low quality model of capitalism has begun to affect the economy's distribution of rewards. Average real wages have not risen for more than ten years. The share of national income paid out in wages is falling. All this while fixed costs such as food, transport and energy rise, leading to the largest fall in living standards since the 1870s.

Yet not everyone has shared in this pain. Over the past 30 years, the top 1% of earners have consistently been able to secure large pay rises, regardless of the economic conditions which seem to affect the wages of everyone else. It appears that the UK economy's reward systems have changed. Business and economic growth no longer feeds into growth for the working majority, but seems to be simply funnelled into ever greater rewards for those at the top.

For more than 150 years the co-operative movement has been on the side of ordinary families. The original co-operative and mutual societies were formed as a vehicle for ordinary people to have access to good quality food at a fair price, purchase their own homes and insure themselves against sickness and unemployment. In contrast to other businesses of that era, they were designed to provide mutual self-help for their members, rather than create wealth for investors.

This is still their core purpose today.

Through being accountable to their customers or employees rather than millionaire investors or hedge fund managers; well-run co-operatives and mutuals can focus on developing long-term social rewards ahead of short-term private gain.

However, for the foreseeable future it is likely that most significant enterprises will remain majority investor-owned. This requires us to build an economic approach that allows private companies to better harness and reward the efforts of the whole workforce.

This document will make the case for establishing a John Lewis Economy - where employees are able to share in the ownership, decision-making and profits of Britain's businesses. Employee ownership and profit sharing incentivises staff to work towards raising company performance and rewards them fairly when they are successful. Shared decision-making allows employees and managers to work together to resolve problems and raise productivity- for example, by redesigning work processes or reorganising the tasks that make up different jobs. Through creating a partnership

between management and employees, it can provide the means by which higher returns for both staff and owners can be generated and shared.

As we seek to restore the link between hard work, reward and an ethical approach to business, there has never been a time in which co-operative values and principles have been more important. As we emerge from more than a decade of falling living standards, we need to pioneer this new approach to business; that will ensure that all people will be able to share in its reward.

## Supporting co-operative and mutual enterprise

The mutual sector plays a vital role in British society. Over 19 million British individuals, or one third of the population, are members of one or more mutual society and the sector as a whole employs more than one million people and generates £116 billion of revenue. Co-operative and mutual enterprises differ from their PLC competitors in one crucial respect; they exist to provide a service for their members rather than to generate profits for external shareholders.

Evidence comparing European markets has shown that a strong mutual sector increases competition, leading to greater market stability and to competitive prices. For example, research has shown that a significant market share for mutual and co-operative insurers keeps prices for products competitive and increases choice for consumers. Co-operatives also have a tendency to be more resilient in tough economic times. Despite the well-documented problems at the Co-operative Group, the co-operative sector as a whole grew by 13.5% between 2009 and 2013, more than double the rate of the rest of the UK economy.

Over the last 30 years, the larger PLC has become the dominant business form in the UK. This lack of corporate diversity has been bad for stability, risk and competition, as a monoculture

of similar firms has led to greater systemic risk and reduced competition in the marketplace. As the Economist has noted: “just as an ecosystem benefits from diversity, so the world is better off with a multitude of corporate forms”.

A larger co-operative, mutual and employee-owned sector would create broader, more democratic ownership within our economy creating more equitable distributions of wealth and power.

The Co-operative Party believes that the election of a Labour & Co-operative government in 2015 should be the beginning of a process of establishing a culture of co-operative entrepreneurship in the UK. While the government cannot create new mutuals, it can act as a supporter, facilitator and cheerleader, giving them the help and encouragement that they need to thrive.

A good starting point would be to level the legislative playing field. Co-operative and mutual businesses continue to labour under antiquated legislative structures. New regulations tend to focus almost exclusively on PLCs and fail to consider the real collateral impact when it comes to mutuals. Time lags in legislative and regulatory reforms mean that mutual businesses can often find themselves at a competitive disadvantage.

Labour should also legislate to create a statutory duty to foster diversity of corporate forms and to report to Parliament annually on progress including measuring the level of diversity and the actions they have taken to promote mutuals, employee owned firms, family-owned enterprises and other corporate forms.

It should also ensure that mutuals receive equal treatment and proper recognition through the creation of a government Office for Mutuals with a designated Minister. The legislative and regulatory responsibilities for co-operative and mutual businesses should be moved from

the Treasury to the Department for Business, Innovation and Skills, and registration of mutual businesses should be moved to Companies House.

A new business impact test should be introduced to systematically ensure all legal forms are considered in legislation and regulation affecting business. This will require amendments to government's Impact Assessment (IA) template so that civil servants are specifically prompted to consider whether any type of organisation is unintentionally disadvantaged by government policies. This will reduce the number of unintended consequences in regulation that are so burdensome for co-operative and mutual businesses.

UK legislation should also be changed to allow mutuals to ensure that their businesses remain true to the original principles under which they were founded.

Britain should reinvent the idea of the mutual, with a new emphasis on preserving the basic principle of mutual ownership. The laws applying to mutuals should be reformed so that they have the opportunity to choose a legally binding corporate form that enshrines the principle of 'disinterested distribution' common in other EU states, which ensures that there can never be a benefit from 'cashing out' because the assets must be transferred to another mutual.

Modifications should be made to the Enterprise Investment Scheme to allow asset-locked mutuals to access funding. Currently, small asset-locked mutuals are unable to benefit from the Enterprise Investment Scheme due to the limited role that external capital plays in member-owned organisations. Where mutuals decide to opt for an asset lock, their retained profits should qualify them for tax relief under EIS. Where co-operatives allocate profits towards further co-operative development, this should be allowable against corporation tax.

Community benefit societies are non-profit distributing businesses that exist for a specific social purpose. While a number of these are also registered as charities, this can be a difficult bureaucratic hurdle to navigate for some smaller organisations. As businesses solely concerned with social outcomes, the government should exempt community benefit societies from paying corporation tax and business and non-domestic rates.

Emerging co-operative and mutual businesses still suffer from a lack of support, despite being robust and proven business structures. As it stands, the majority of mainstream business support providers do not have the capacity or expertise to provide services for those seeking to set up co-operatives or social enterprises.

The Co-operative Party believes that Local Economic Partnerships (LEPs), working with the new government Office for Mutuals, should be obliged to place the development of co-operative and social enterprise at the core of their approach to economic development. There should be at least one co-operative or social enterprise expert 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.

The lack of access to external capital is a serious limiting factor on the growth and development of mutual businesses. The government should legislate to permit co-operatives and other mutuals to issue redeemable shares that may be offered to their members who wish to invest in the business, in a similar way to member certificates are issued by Rabobank in Holland.

The government should also level the playing field in terms of tax incentives available to mutual businesses. Tax incentivised savings and investments such as ISAs should be extended to include new capital instruments in consumer mutuals that can be offered to their members.

## Investing in a co-operative future

At a time when public sector borrowing remains high and the investment approach of institutional funds remains relentlessly short term, the government should explore the creation of new mutual organisations to build our future infrastructure. Because they are owned by their members, rather than shareholders, mutual organisations have the capacity to finance investment over the life of the asset and potentially do so at a significantly lower cost than infrastructure investment funds. The way they are owned also means that their interests are aligned with those of their members rather than being in competition with them.

One of the disadvantages the mutual model faces compared with PLCs is their ability to access capital. Due to their very nature, mutual societies are not funded by equity capital provided by external investors. Traditionally this has led them to only expand through retaining profits, with some access to debt capital. This clearly limits their current role in infrastructure investment. Creating new and innovative financial instruments would allow co-operative and mutual organisations to have greater access to capital, while at the same time retaining their corporate purpose, is a significant challenge both for the co-operative movement and the UK as a whole. Whether building a stronger and more diverse financial sector, a new energy infrastructure, new transport links or next generation broadband – the co-operative movement is in a unique position to build public assets that are held and operated for a public purpose.

Raising capital from individuals and communities can play a large part in this. In the nineteenth century the co-operative movement was built through a self-help model of funding, where investment was not just focused on what it could generate for individuals but for the service that it could provide for the community. As we seek

to build the next generation of public assets, it is time to return to these self-help principles. Mutual societies would not only offer a safe and robust investment for individuals, but also provide us with services that can collectively improve our lives.

We also propose that a new funding model for co-operatives is developed, based on a similar model to the permanent interest bearing shares (PIBs) pioneered by building societies. This finance model was developed in the 1980s by building societies that wanted to raise substantial funds in order to compete with the high street banks. Permanent interest bearing shares were invented to provide an alternative way of raising capital and enabling legislation was brought forward.

Before its existence, the only way to do this would have been to demutualise, trading to fulfil a private purpose rather than existing to provide a service to its customers. Many institutions did not want to go down this route and they looked for an alternative way of raising external capital.

PIBs have the potential to provide an attractive option for funding community infrastructure because they can provide core funding that is treated for accounting purposes as equity, not debt. Membership of the corporate entity gives the local community control over what it is doing and prevents 'capture' by investor interests. In this model, management's job is not to maximise profitability, but to provide the service as efficiently as possible in the long term. This allows them to provide a reasonable and safe return for subscribers and subject to certain restrictions or governance arrangements (to prevent demutualisation), they are tradable.

The most high profile example of privately owned infrastructure returning to social ownership can be seen in the creation of Glas Cymru (Welsh Water). It was brought into customer ownership through raising £1.9 billion on the bond markets, the largest ever single bond issue that was not guaranteed by government. Glas Cymru is a single purpose

company formed to own, finance and manage Welsh Water. It is a 'company limited by guarantee' and fits into the broader family of mutually owned businesses. Because it has no shareholders, any financial surpluses are retained for the benefit of Welsh Water's customers.

Financing efficiency savings to date have largely been used to build up reserves to insulate Welsh Water and its customers from any unexpected costs and to improve credit quality so that Welsh Water's cost finance can be kept as low as possible in the years ahead. These savings have also funded some additional discretionary investment in service improvements and the annual 'customer dividend'. This can be directly contrasted with the experience of consumers in relation to the privately owned water companies in England. Welsh Water demonstrates the difference mutual ownership makes in terms of both price and service delivery.

In utility markets characterised by monopolistic structures, the government should pursue opportunities to enable the conversion of utility monopolies to mutual organisations owned and controlled by their stakeholders. It should also ensure that when building future infrastructure, full consideration is given to the development of mutual models as a method of delivery.

An example of this is BT Openreach, the organisation responsible for managing access to the national phone and broadband network. As a monopolistic owner of telecoms infrastructure, Openreach gives BT an unfair market position as a supplier of phone and broadband services. Labour should explore separating telecoms infrastructure from the supply of services and the creation of a new 'Welsh Water' style mutual to take over the national phone and broadband infrastructure.

## Employee Ownership

Giving employees a stake in their business provides workers with economic gains and creates companies that are responsive to their frontline staff. Evidence shows that firms where staff have a big ownership stake and a say in decisions have happier and better remunerated workers, and make more productive businesses.

The degree to which employee ownership boosts productivity can be seen in the performance of co-owned companies, which have consistently outperformed their PLC rivals. In cash terms, an investment of £100 in the EOI (Index of Employee Owned Companies) in January 2003 would have been worth £754 at the end of September 2014. The same amount invested in the FTSE All-share would have been worth £280. This superior financial performance is the little known story of a sector worth a combined turnover of £20-25 billion annually, and going from strength to strength.

As it stands, the government spends £615 million on tax incentives for employee ownership, money that is poorly targeted towards individual shareholding and the remuneration of senior executives. The Co-operative Party believes that the current complex and regressive system of tax advantages for employee ownership should be reformed.

Tax relief should only be offered to all-employee share ownership schemes which require employees to purchase and hold shares for a number of years in order to benefit. This would save the government £285 million per year. Part of this money (£50 million) should be invested in giving permanent employee benefit trusts the same tax treatment as temporary schemes - with the other £235 million specifically targeted at schemes that give employees a collective, democratic voice.

Employee buyouts show how self-help and mutuality can build resilience into our economy, saving productive businesses and decent work. These buyouts can be an attractive route for

business succession because they transfer ownership to people with a genuine interest in an enterprise's long-term success, and so increase the likelihood of the enterprise continuing to trade and provide jobs locally. The UK government should be more proactive, supporting employee buyouts before the threat to jobs and enterprise become inevitable.

The government should legislate to give employees a statutory right to request employee ownership during business succession. Alongside this, it should also support the creation of an 'early warning' resource capable of informing workforces in advance of an insolvency or disposal of a viable business, thereby helping them assess the scope for acquisition by a management and employee buy-out. Where a buy-out is judged feasible, such a resource would help with the preparation of a management and employee bid for the company, with or without the participation of external stakeholders. Labour should also actively review the scope for allowing employees to divert a portion of possible redundancy compensation, in a tax advantaged way, if they choose to take a collective equity stake in a reconstituted business.

As a creditor, Her Majesty's Revenue and Customs will normally have a role in insolvency proceedings. Where a mutual or employee buyout is agreed, the government should ensure that HMRC agrees to waive their debts. While this may be a write off for the Exchequer, the benefits of providing a long-term sustainable future for businesses faced with the prospect of insolvency should outweigh the cost.

## Profit sharing

Britain is stuck in the longest decline of living standards for a generation, with the average employee receiving an ever declining share of business growth. Urgent action is required to ensure that the link between profits and wage growth is reformed, so that everybody gets their fair share when companies succeed. Britain is in desperate need of a pay rise, and one of the best ways to do it is to give British workers a share of the profits.

Profit-sharing ties employees into the fortunes of their company, and offers a way for all employees to share in the successes that they helped generate. Employees only see a share of the proceeds if the company performs well, ensuring that collective performance is rewarded, without tying businesses into pay deals that they may not be able to afford in the long term. A number of the best British companies recognise this and have generous profit-sharing schemes in place.

In France, every company with more than 50 employees is obligated to negotiate a mandatory profit sharing scheme with their employees, and many smaller companies have also been encouraged to introduce schemes. Where businesses make significant profits, employers must set aside a portion of these to share. Companies can choose to distribute rewards at either as a flat rate to employees, in proportion to wages, in proportion to the hours worked in the previous year - or a scheme based on the combination of those principles. This formula can take profit sharing up to 20% of an employee's wages, and is worth upwards of €1000 in many successful companies.

It is time for British workers to get a similar share of the spoils. As part of its programme to implement a shared approach to business in this country, Labour should legislate to ensure that all British businesses with more than 50 employees are obliged to set up a profit sharing scheme with their staff, with a minimum profit share pot set aside based on a calculation of its annual profits and its financial position.

## Changing the way that businesses are run

One of the principal causes of the economic and social problems we face can be put down to a lack of accountability in our largest businesses. Britain's cosy boardroom merry-go-round may have brought ever increasing pay at the top, but has done little to ensure that companies are sustainable in the long term and act in a socially responsible manner.

While there are some notable exceptions, the majority have become too fixated on short-term targets and short-term profits, at the long-term cost of business performance. Heavily centralised systems of management offer low quality, low wage jobs - failing to invest in their employees and adopt new ways of working. The culture of the boardroom seems unchanged, despite the 2006 change in company law that required businesses to focus on the long-term profitability of the company and consider their impact on their wider stakeholders.

A starting point would be to widen the fiduciary duties of board members to include a duty of stewardship to the company's stakeholders and the long-term future of the business. Businesses should be required to make a statement of their business purpose in their annual report, and corporate directors should be required to declare what they consider is in the best long-term interest of the business to achieve such a declared business purpose. This should attract new 'safe harbour protections' insulating their judgements from legal challenge.

More also needs to be done to improve the ability of non-executive directors to challenge an overdependence on managers. Key to this is the independence of the information they receive. The Company Secretary is responsible for this, yet in the majority of FTSE 100 companies they are appointed, remunerated and line-managed by the Chief Executive. If they are to fulfil an oversight function it is vital that non-executive directors are able to have confidence that

they are receiving independent information. The government should modify the Combined Code to ensure that Company Secretaries are appointed by the non-executive directors, reporting to the Chair. Non-Executive directors of publicly quoted companies should also have their own independent research budgets and staff.

In the European 'stakeholder' approach to business, employees are given a formal role in making decisions about how a company is run. Works' councils operate at the workplace level and employees are given a role in determining company strategy through board-level representation.

Many of the UK's largest companies operate forums that allow employees to have a consultative role in decision-making, but overall a smaller proportion of UK staff have access to these forums than their counterparts in most European countries. Staff in many private sector workplaces are relatively unorganised, and may either not know about the entitlement or not have the confidence to pursue it.

The Co-operative Party believes that all publicly listed companies should have a 'duty to involve' their employees. This would require employees to be involved in decision-making and consulted on decisions that affect their employment, including their working conditions, changes to staffing and re-organisations, as well as the distribution of pay and profits.

In 17 out of 27 EU member states, employees working in companies over a certain size have the right to be represented on company boards. The UK is in the minority of countries where employees do not have this right, and one of only two EU15 countries where employees have no right to representation at board level.

Where employee board-level representation does occur, both employers and employees tend to be happy about the difference that it makes to the business. Academic research also suggests

that it has a tendency to constrain the growth of executive pay, meaning that wages of senior managers are less likely to run away from their employees in the future.

In order to foster a greater sense of democracy in Britain's workplaces, Labour should modify company law to ensure that representation is given to employees and other identified stakeholders in all publicly listed companies.

These new rights would operate in addition to rather than instead of the vitrole played by trade unions at work. The Co-operative Party would want to see a higher penetration of trade union membership and recognition in the private sector as this improves terms and conditions and gives workers effective collective representation.

Yet perhaps the most important change that needs to be made to how businesses are run is in ensuring that company boards are held properly to account by their owners. It will come as a great surprise to many people in Britain that the biggest owners of UK companies are often not foreign oligarchs or wealthy individuals, but ordinary members of the public, indirectly through their private pensions and other long-term savings.

Long-term institutional investors have enormous potential to act as providers of 'patient capital' and as responsible owners of businesses at home and abroad.

But, as the last decade has made clear, our investment markets are dysfunctional.

Too few of the institutional investors looking after other people's money are properly engaged with the long-term drivers of business success that matter most. We urgently need a more accountable investment system which give more opportunities for greater scrutiny and participation by savers themselves. Improving accountability to savers is not just right in principle, it is a vital component in solving the problems in our current system.

Much has been done in recent years to make companies more accountable to their shareholders but policymakers have yet to take the logical next step of making institutional investors themselves more accountable to the people whose money they manage. Savers have limited rights to information about what their money is invested in, how shareholder rights are exercised on their behalf, and how their pension fund is implementing its investment policies. Their rights to participation – either by proactively being consulted about fund policies, or by retrospectively holding fund decision-makers to account for their decisions – are virtually non-existent.

The government should legislate to ensure that pension fund trustees and their agents are required under law to design and follow an explicit strategy for discharging the duties of ownership and promoting good governance. Failure to do so would be subject to legal action. The practice of signing over proxy votes, without direction, to either intermediary agents or the Board of Directors should be forbidden by law. All pension providers should owe a duty to scheme members to act in their best interests.

Explicit legal clarification should be given to confirm the Law Commission's conclusion that pension trustees are not obliged to chase short-term profits and ignore wider concerns, and that this principle should apply to other pension providers.

Pension savers should have the right to know where their money is being invested and how pension funds are exercising shareholder rights on their behalf. This should include making voting disclosure mandatory by pension funds and other institutional investors.

Pension savers should have the right to question the people who look after their money by attending annual meetings, in the same way that companies are obliged to hold annual meetings for their shareholders. They should also have the right to be consulted on investment and voting policies.

Savers should have the right to elect representatives to the board or governing committee of their pension fund and to stand for election themselves.

The Department for Business should also fund a pilot programme to establish share voting pools to whom individual or institutional shareholders can cede their voting rights. These could be set up as not for profit mutuals, established to aggregate the voting rights of individual investors and give more muscle to the shareholder voice.

## Closing the deficit through fairer taxes

The slowest economic recovery in over a hundred years has meant that the Tory-led government has failed on its single economic priority, which was to close the deficit over the course of one parliament. This means there will continue to be tough economic decisions ahead.

The OBR's projections show non-interest public spending increasing from 35.6% of GDP in 2016/17 to 40.8% in 2061/62, largely as a result of the ageing of the population and consequent pressure on spending on health, state pensions and long-term care costs. Without new sources of revenue, the current level of social provision cannot be maintained over the long run.

Financial flows play a vital role in local, national and international economies, but too little of the architecture to support them bears any relation to the real economy. Rather than a means to an end, finance has become the end in itself, with short-term, high-frequency trading strategies turning over trillions of dollars every day in global markets. These can have tremendously destabilising effects on individual companies, sectors or countries. In some cases, this has even occurred when their economic fundamentals are largely sound.

The speculative nature of investment within the global economy rewards short-term decision-making and reduces the accountability of business to its owners. A financial transactions tax would help to reduce the frequency of trades and raise some much needed tax revenue for the UK government. 30 countries, including the UK, already levy some type of tax on financial transactions, and 11 EU countries are already coming together to levy a common international tax by January 2016.

The UK should join with our 11 European neighbours to introduce a financial transactions tax which would cover all trades in equities, bonds and derivatives. This will comprise a minimum 0.1% tax on the trading of bonds and equities and a minimum 0.01% tax on the trading of derivative products. The European Commission has estimated that if FTTs of 0.1% had been applied to trading in bonds and equities and 0.01% for trading in derivatives across all 27 EU countries, revenues in 2010 would have totalled €37 billion.

Based on this figure and the UK's share of total European trade in different assets, the Item Club (a group of economic analysts backed by Ernst & Young) has estimated that the UK would accrue revenues of approximately £23 billion. Assuming the FTT on share transactions replaced the existing stamp duty on shares, so doing away with the £3 billion that that tax currently raises, the potential net increase in revenues would still be £20 billion a year.

As we seek to bring greater stability to the financial system, it is only right that we aim to do the same for the property markets. Instability here has been a key determinant of every recession that we have faced over the last 35 years.

A significant cause of this has been the rising cost of residential land. As economic growth has occurred, this has led to inflationary pressures on the prices of residential land in scarce supply, or restricted in the places where everyone wants or needs to be. There is nothing new in all of

this. The last 200 years have seen regular 15-20-year cycles of economic growth and recession that have brought rapid uplift in land values, and ended in their implosion.

A Land Value Tax could make a significant contribution to stability within the property market. It would act as a real incentive for people who are sitting on empty banks of land to develop it, building the new homes we need and kick-starting the economy in the process. It would ensure that when landowners benefit from investment by others in an area, they pay back a fair share. Devised carefully, it would demand a greater contribution from the wealthy – not least the international elite with their mansions in London – without affecting ordinary homeowners. And it would be one tax that the rich and powerful could not dodge.

While this would be a new method of taxation in the UK, countries such as Denmark, Hong

Kong and Taiwan utilise land values to help their economies. Local Authorities in parts of Australia, New Zealand and North America have also all adopted local forms of land value taxation. There they have not only improved economic stability but also stimulated investment in more productive elements of their economies.

The government should replace business rates and stamp duty land tax, with a land value tax. This should be applicable to all land with the exception of land with an occupied primary residence on it. This would mean that land value taxes on empty homes would supplement council tax, which would be an added incentive for empty properties to be occupied or sold. It would also leave the vast majority of all UK land taxable, ending the perverse tax advantages that landowners currently enjoy over occupiers.



FIRE

**Your final gas statement, actual use**  
Statement period 02 July 2011 - 11 September 2011  
You are on our Online Discounted Energy March 2012 package

Period	Balance of Your last statement	Balance of Your last statement
Last period	£18.21	
This period	Account balance	-£41.13
Next step		

Date: 30 September 2011  
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12033

# Reforming markets

Too many of our markets are failing too many people in our country. This is damaging for our economy as well as the fabric of our society. For too long our country and economy has been too short-termist, too accepting of broken markets, and reliant on trickle-down economics.

Over 150 years ago, the co-operative movement was founded so that working people could come together to protect themselves from the vagaries of the market and acquire the power to collectively improve their lives.

While the world today is different, the challenges remain the same - reforming broken markets and tackling vested interests - to make the economy work for everyone, not just a few at the top.

Markets are not anarchic, atomistic things but elaborate social mechanisms which need to be well constructed and carefully maintained. They are important, because they allow workers, consumers, employers and investors to enter freely into transactions and relationships for their mutual benefit. But it is also vital that these transactions and relationships are not exploitative and unfair.

In order to ensure this, markets need constant attention and rules. We dispute the free-market view that laissez-faire policies automatically produce the most desirable outcomes - and believe that the next Labour & Co-operative government needs to fight for people in the marketplace.

While the rules that govern markets are important, we do not believe that real and lasting change can simply be brought by regulation alone. They can play a significant role in setting the boundaries of acceptable behaviour, but can fall short of resetting markets that tend towards

monopolistic and oligopolistic behaviour. This requires government to form partnerships with people - working to bring together a delicate calibration of collective and individual action.

Whether it's a question of people coming together to take on the energy companies, the train operators, or even the payday lenders, co-operative and mutual organisations can provide a means through which people can collectively meet their aspirations and help change behaviour for the better.

## Consumers

Consumers are a key driver of the economy, creating the demand for goods and services which provide jobs, stimulate innovation, create wealth and tax revenue. In a functioning economy, knowledgeable, informed, empowered consumers can drive up standards, supply and value for money.

But where there are monopolies or where exploitative practices are particularly prevalent, consumers need champions to 'stand in their shoes', ensure real competition and appropriate regulation, demand fairness from the providers and ensure adequate redress is available. Consumer harm arising from unfair trading is estimated at £6.6 billion a year and it is a serious and pervasive cost to all consumers.

For almost its entire history, the Co-operative Party has championed the rights of consumers, responsible for the legislation that underpins much of modern consumer protection today.

However, that legislative framework is now out of date and consumers too often face an uphill struggle to get a fair deal or proper redress when things go wrong.

The Co-operative Party believes that it is time for a second consumer revolution. Well-informed consumers can drive better business practices because they are able to reward firms who operate in a competitive, fair, ethical way.

The role of government is to ensure consumers have access to more reliable information and advice and help consumers to come together to exercise their collective power.

Access to accurate and portable information is vital. Yet many companies are opaque in their dealings, obscuring charges and costs to hold on to customers or to overcharge them. Government research suggests that if consumers were able to compare prices more effectively, they could save between £150 million to £240 million a year.

New forms of mass movement switching through Next Generation Intermediaries (NGIs) have enabled consumers in some countries not only to individually compare prices but to collectively negotiate them. These NGIs collate data from consumers and then seek providers to match the needs of the groups they represent.

In Australia 1 in 14 consumers is a member of such a group, leading to collective bargaining on a wide range of services including energy, health and financial services. At present there is no protocol in Britain for how consumers can give permission to such NGIs to request their data for this purpose, and there is no duty on companies to comply or rules to prevent them charging exorbitant data processing fees or providing information in user friendly formats. Creating the legislative framework for such 'consumer clubs' in Britain would offer them a new weapon in the fight to get a fair deal.

Consumers should have the right to access their data in a meaningful format and to be allowed to

share it. The government should bring forward legislation which would allow consumers to give permission to a third party to access data and negotiate services on their behalf. Such legislation would also act to prevent companies from picking a 'preferred provider' for such a service and require any consumer club to be run and managed independently from the service provider.

Access to advice and advocacy services are also important. Having access to independent advice can help consumers understand their rights and resolve problems more quickly. Therefore Labour should place a duty on statutory regulators to report annually on the provision of free independent advice available to consumers purchasing services in their sector.

Where consumers seek help and assistance, it is crucial that the support they get, as a minimum, does not make things any worse. Debt management companies can currently charge astronomical fees for 'helping' individuals who are struggling with debts. These fees can substantially add to their mountain of debt and increase the time it will take them to be debt free by months or even years. The Financial Conduct Authority (FCA) has plans to cap the level of these fees but this does not go far enough. A Labour & Co-operative government should work with the FCA to end charges for debt management all together.

Ombudsman services are an important part of the consumer landscape. Their role is to help resolve disputes between consumers and service providers when goods and services are not as expected. Yet currently there is confusion over what constitutes an Ombudsman and what powers these services have. There are gaps in services and some overlap of provision.

There are at least 17 different Ombudsman services and 14 different recognised complaint handling services. This creates a confusing myriad of options that consumers have to try and navigate in order to get justice. Many industry bodies have set up their own systems,

so bringing into question their independence, and other sectors have several ombudsman services so bringing in competition rather than driving up standards in services provided. This needs to change.

The government should introduce a single Consumer Ombudsman with US-style powers. This would also have the 'hard power' to take up class actions on behalf of consumers against companies as well as a role in educating the public about their rights and how to complain if they consider that their rights have been infringed.

Trading Standards ensure that local businesses are operating within the law. They do this using their statutory powers including the power to enter the premises of traders and businesses, inspect goods, make purchases and take samples. If the current Consumer Rights Bill has received Royal Assent by the election in 2015 a Labour & Co-operative government will reverse the new requirement for Trading Standards to give 48 hours notice in advance of any inspection.

The Co-operative Party welcomes the creation of the Competition and Markets Authority (CMA) but believes that it is vital that it is responsive to consumer concerns, acts on the priorities of consumers and works closely with other consumer champions. There needs to be an annual 'Competition Health Check', led jointly by consumers and the competition authorities, to ensure regulators and politicians act where markets do not work in the public interest.

## Financial services

There is no market in greater need of reform than financial services. Six years ago, its failure came at a serious cost to everyone in the UK, whose savings were risked, whose taxes have risen and whose livelihoods were threatened as a result of the flaws in the way that the

banks have operated. The recent Forex scandal is simply the latest instalment of a saga of exploitative and unaccountable behaviour in a banking sector that is out of control.

Financial mutuals have weathered the global crisis much better than their shareholder counterparts. While the problems at the Co-operative Bank have been well-documented, across the World, financial mutuals have shown themselves to have taken fewer risks with their savers' money and been more resilient in the downturn.

There is one fundamental difference between financial mutuals and their PLC competitors; they exist to provide a service for their members rather than to create wealth for external shareholders. The Building Societies Association has estimated that this provides them with a cost saving of approximately 35%, which is distributed back to members through the provision of low cost borrowing, high returns on saving and members' dividends.

If consumers and small businesses are to get a fairer deal in the future, we need a highly competitive banking sector which will include a wide range of national and regional banks, financial mutuals, a strengthened credit union sector and community development finance initiatives (CDFIs) which serve small and medium sized enterprises.

Much of the legislation governing financial mutuals is antiquated and in urgent need of reform. The last update to the Friendly Societies Act was in 1992, and the legislation has become outdated. It is restrictive, incompatible with company law and ill-suited to modern forms of business. As a result, the last 20 years has seen the UK go from having the largest mutual insurance sector in Europe (with more than half the market) to having one of the smallest. There has been no new mutual retail insurer or friendly society created since 1995. Labour should modernise this legislation to enable friendly societies and other mutual insurers to operate more effectively.

Vulnerable households have been disproportionately affected by the rise in VAT, household utility and food bills and the prevalence of low paid work, making it difficult to build up a savings cushion to protect themselves in the face of the cost of living crisis. During the recent downturn they have been targeted by irresponsible doorstep lenders and payday loan companies, who charge thousands of percentage points in annual interest. An estimated one million Britons remain un-banked or under-banked – meaning that they do not have access to a full range of financial services products. This leads not only to social injustices but also holds our economy back as ordinary families and small businesses struggle to access the financial products they need.

Given the unprecedented support that our financial services sector has received in recent times, it is vital that it recognises the obligation of their responsibility to society – whose taxes, jobs and livelihoods have been put at risk by their failure. All people should have equal access to routine financial services and credit within their means. Banks should no longer merely be able to cherry pick the most profitable customers, but ensure that their operations serve every part of the community.

Since 2013 the seven largest banks have been providing data on their lending practices as a result of a voluntary deal with government. However, after the first six months of the programme it is clear that this data release is not sufficient to enable policy makers and consumer groups to understand to what extent bank lending is meeting the needs of all communities.

An incoming Labour government should move to a more prescriptive approach with the banks having to provide more detailed information in an agreed format. In addition, the government should ask the FCA to publish a thorough and regularly updated analysis of the data so that it can be used to influence policy making and consumer action.

If it is found that - as in America - market forces are not sufficient to ensure financial services are meeting the needs of all communities, strong action needs to follow. Labour should legislate to introduce a new 'duty to serve' which would force UK banks to demonstrate that they are serving individuals and SMEs from all backgrounds. Every adult, household and business should have access to a basic package of fair and affordable finance tools, including a basic transactional bank account, a savings scheme, access to credit, physical access to branch banking facilities, insurance and independent money management advice.

In the USA, financial institutions have often chosen to route a substantial portion of their engagement with deprived communities via alternative financial institutions such as credit unions or CDFIs. Mainstream financial institutions would be free to choose a similar partnership route in the UK.

A competitive banking system will also require reform of the UK Payments system, which is the means by which financial transactions are processed. The Co-operative Party welcomes the creation of the Payments System Regulator and its aim to reform governance, ownership and access to the system. An incoming Labour & Co-operative government will work with the new regulator to deliver on these ambitions because widening fair access to the UK payments system is key to enabling greater competition into the current account market including for example the creation of new challenger banks and increasing the number of credit unions able to provide current accounts.

We must also ensure that the burden of failure does not fall on the businesses that least deserve it. Under the current set up of the Financial Service Compensation Scheme, the proportion contributed by institutions is based on the deposits that they hold. In practice this has meant that financial mutuals have been punished for pursuing a safer business model funded through a higher proportion of deposits, paying on average three times as

much proportionately as the shareholder owned institutions. The government should introduce a more equitable scheme for funding of deposit insurance.

The Co-operative Party welcomes Labour's proposals for the establishment of a British Investment Bank to support the parts of the British economy that have previously been undercapitalised. The newly established British Investment Bank should be set up as a mutual, jointly owned by bondholders and the UK government. The Bank should support the expansion of co-operative, mutual and social enterprise through the provision of risk capital.

## Credit unions

The last ten years or so have seen tremendous growth in the credit union movement. Since 2004, credit union membership has increased by 90%, lending has more than doubled, and savings have increased by 138%. Britain's credit unions now serve more than one million people and have assets worth over £1 billion but still lack the market penetration that they have in other countries. The Co-operative Party believes that the government should commit to a target to treble the number of credit union members over the course of the next parliament, so that they number 3 million by May 2020.

More support is required for the credit union movement to become a truly mainstream presence on Britain's high streets. If we want more credit unions to offer current accounts (including so-called Jam Jar accounts) or to provide a greater range of loan products then they will need continued support. The government should impose a levy on payday lenders which would be used to build the capacity of credit unions and other providers as a means of providing affordable alternatives.

Raising the profile of credit unions and increasing the number of members from across the socio-economic spectrum will also be key to long-term expansion.

Payroll deduction by employers – allowing employees to make loan repayments or regular savings via their PAYE – is a proven mechanism for embedding credit unions and good financial habits. All public sector employers should establish payroll deduction facilities for credit unions - as the Police already do - alongside a standard clause in all contracts and agreements between the UK government and medium sized or large employers.

The Ministry of Defence should work with service charities and the credit union movement to deliver on its commitment to support the development of an Armed Forces credit union. This would be based on similar principles to Navy Federal, which is the largest credit union in the world. Our service personnel deserve better than payday lenders and jumping through unnecessary hoops put up by the high street banks.

It is also vital that we enable the next generation to avoid the financial exclusion and exploitation experienced by some of their parents. Innovative local authorities like Haringey and Glasgow have begun working in partnership with credit unions to open credit union accounts for children as part of a focus on financial education and promoting saving. The Co-operative Party believes that national government should follow their lead, using part of the money raised by the Pay Day levy to offer a £10 deposit into a credit union account for every child, opened in their first year at primary school.

## Energy

In our energy markets six companies, all of whom were originally regional monopoly suppliers, dominate the retail market in the UK. Together these companies supply 98% of the domestic market and 82% of the smaller business market. This oligopolistic dominance is due to an uncompetitive market where a lack of transparency, regulation and competition allows these companies to dominate the market. This has led to stark increases in prices.

Since 2010, household energy bills have increased by over £300, and a typical small business owner has seen their energy costs rise by more than £13,000.

More than 10% of households are fuel poor - too often facing the choice between heating and eating. Our current energy market is broken, with companies using their dominant market position to inflate prices at the same time that their poor environmental progress puts our future at risk.

Experts have a tendency to see solutions to high prices, energy security and climate change as competing, conflicting and irresolvable. Yet a movement towards communities collectively owning their own energy has the potential to meet all three of these challenges head on.

Co-operative Energy is an excellent example of how collective consumer action can make a difference within a highly monopolistic market - delivering fairer long-term prices for its consumers. But along with other smaller suppliers, it finds it difficult to compete because the 'Big Six' dominate both generation and supply.

The Co-operative Party supports Labour's plans to reset the energy market so that it works in the interests of consumers, breaking the stranglehold of the 'Big Six' energy companies on generation and supply - forcing them to buy and sell their energy through an open exchange.

Since 1990, German citizens have had a legal right to be producers and suppliers of electricity to their grid system. There, 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 become the largest supplier of electricity, providing for 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.

For Britain to undergo a German-style energy revolution, all the evidence from pioneering energy markets suggests that renewable technologies are best deployed where policies and measures are directed at bringing together communities of households and businesses.

The government should commit to a dramatic increase in community energy, with 25 year national targets for the percentage of the UK's energy supply and CO2 reductions to be achieved via community owned renewable projects. There should a director level lead for community energy within the Department for Energy and Climate Change responsible for ensuring that all energy policy is supportive of the community approach.

The government should also legislate to offer a new right for communities to invest in new energy generation projects and to take over ownership of their local electricity grid supply, requiring new energy generation companies to offer a proportion of shares for purchase by residents in local communities.

Community energy projects are not currently able to supply energy directly to residents as they are not set up as energy companies and it is prohibitively expensive to put in individual meters or set up as a supply company. Currently, energy generated is sold at a significant discount on retail prices to the existing energy utilities, which is then sold to local residents at a significantly higher price.

For example, energy sold to a utility at 4.5p/kWh is often sold to local residents by a utility company at 34p/kWh. The government should pilot the direct supply of community owned renewable energy to local residents - with a view to making it a mainstream form of energy

supply by 2020. This would allow community energy companies to supply discounted energy to residents, reducing bills and tackling fuel poverty.

A new Labour & Co-operative government needs to do more to level the playing field between community energy groups and other providers. Labour should introduce a community-feed-in tariff and a community renewable heat incentive so that community owned energy groups can benefit from tariff uplifts. It should also encourage the growth of the market through instructing the Green Investment Bank to provide loans for medium scale community projects.

As it stands, the contract for difference clause within the Energy Market Reform Bill would enable the 'big six' to wholly and unfairly dictate the price at which they buy energy from community energy projects. Labour should introduce a mandatory purchase order to ensure a fair market price.

Community owned renewable projects should be defined by motivation rather than size. Labour should remove the coalition government's 5 megawatt (MW) threshold for community energy projects, as it is a brake on ambition and likely to limit the scale or number of projects that community enterprises undertake.

According to Ofgem's latest estimate, the average household's annual energy bill is now over £1,300 and energy bills have increased sharply in the last four years. Households with the worst energy efficiency rating (bands F or G) pay, on average, £965 a year more than households with average levels of energy efficiency (band D), and their bills are more than double those of households living in the most energy efficient properties. The likelihood of a household being in fuel poverty is closely linked to the property's energy efficiency. Almost two-thirds of households in fuel poverty live in the least energy efficient properties (bands, E, F or G), even though these properties only account

for less than one-third of the housing stock. Households living in the least efficient properties (band G) are five times more likely to be in fuel poverty than households living in properties with average levels of energy efficiency (band D).

Government energy efficiency schemes including ECO (the energy company obligation) have not delivered the step change in energy efficiency measures necessary to reduce the scandal of fuel poverty or to tackle climate change. This is because they relied on the large energy companies to deliver the programme - who have little incentive to do well given it will reduce our consumption of energy.

An incoming Labour & Co-operative government should reform ECO to put a community-based approach at the heart of the drive to tackle energy efficiency. Resources raised from the energy company levy should be provided to local authorities to commission energy efficiency schemes at a local level.

Many local authorities - including Co-operative Councils like Plymouth, Edinburgh and Oldham - have already taken a lead on energy issues including supporting collective switching, micro-generation and energy efficiency. They have proved they should have a bigger role. This approach will allow for a 'street by street' approach which reduces costs and will also allow for local energy efficiency providers - including co-operatives - to win contracts creating local jobs and providing opportunities to the local supply chain.

## Transport

Transport is central to the UK's economic and social success. It requires constant investment and renewal at significant cost to both taxpayers and passengers. The Co-operative Party believes that in order for us to meet the challenges of the future, we need an environmentally sustainable, integrated transport system which is affordable for both the travelling public and the taxpayer.

We believe co-operative models provide significant opportunities to improve and develop transport systems, from local community services to major rail operations.

The government should radically change the way passengers and employees are involved in decision-making within the transport system.

Since the late 1990s there has been significant investment in the railways and passenger numbers have grown sharply. But it is now clear that the rail system is not delivering a fair deal for passengers or the taxpayer, almost 20 years on from the botched privatisation of the railways. Both public subsidy and fares are higher than in other countries, and fragmentation means that there is no overall vision guiding the railways, planning investment and ensuring results.

The Co-operative Party believes that Labour should take a more integrated approach to rail – making Network Rail the ‘guiding mind’ for the rail network. This would give it the responsibility for contracting routes, co-ordinating services and skills in the industry, overseeing stations, fares and ticketing, and ensuring customer satisfaction across the network. It should also be given a role in tackling the monopoly market for rail rolling stock by being given the responsibility for developing a long-term plan for procurement and leasing of new rolling stock.

However, in order to do so, Network Rail needs to become more accountable to passengers and the public. When Network Rail was created, it was recognised that the company needed to provide a public service, would be dependent on state financial support, and ought to be run in the interests of rail users – both passengers and train operators. This was why a non-profit structure was adopted, with appointed “members” to oversee the organisation.

As the guiding mind for the railway, all citizens must be given the right to become individual members. As a genuine mutual venture, Network Rail would then give all of its members the right

to elect governor representatives to a Members’ Council, which would replace the role currently fulfilled by its existing membership. Industry members could continue to be nominated by their respective interest groups, be they train operating companies or trade unions.

Network Rail would be structured so that all of its members have a voice. As a genuine mutual it will give rights to all stakeholders and guarantee that the organisation acts in their interests. This will create a genuine two way dialogue between Network Rail’s management, its passengers and the public; ensuring that the future of the rail network proceeds on the basis of mutual trust and transparency.

It is not only in the rail network where there is an accountability gap. The privately run train operating companies provide a vital public service and receive large sums of public money, yet too often they fail to be responsive to the needs of passengers and the public.

In order to move the industry forward and provide the best value to both the taxpayer and passenger, it is important to provide competition through a diversity of providers. Across the majority of the network there is little or no competition, and the private sector is taking only a small percentage of the risk involved in running and investing in infrastructure. The recent performance of the East Coast Mainline by Directly Operated Rail has shown that a not-for-profit operation can compete favourably with the private sector on service, price and money returned to the government.

The government should legislate to enable a not-for-profit operator, run in adherence to co-operative principles, to be established on the railway. This would see a multi-stakeholder model representing employees, relevant communities and critically passengers being run in an innovative public sector model.

The government must also do more to support co-operatives aiming to deliver rail services outside of the current franchising system

such as Go-op. This co-operative brings local communities together in order to deliver their own rail service where there currently is none. A new government must look again at the system of track access charges in order to do more to support such co-operative endeavour.

There are over 60 Community Rail Partnerships in the UK – these railway lines are owned, maintained and operated by local communities and local community groups. These are almost exclusively not-for-profit and generally constituted along co-operative lines. In recent years there has been a renaissance within community rail and they can play an important role in keeping socially valuable lines running despite being seen as commercially unattractive to the big companies. Too often the Department for Transport overlooks this important work. The government must demand more from train operating companies in terms of support for these vital schemes.

The legacy of bus deregulation in the late 1980s has meant that too often shareholder pressure comes before vital community bus links – whether in our rural communities or our city and county regions. Under a Labour & Co-operative government a newly re-balanced industry would empower combined authorities, ensuring they enjoy the same powers as Transport for London. This would enable them to improve integration, ticketing and service levels. These new powers should come with the encouragement that co-operative and mutual bus companies become the preferred providers for routes up and down the country. Hackney Transport, the successful mutual operator, with routes in London and Yorkshire shows this is possible and improves services as all profits are reinvested in vehicles and routes.

Community transport plays a critical role in social inclusion around the country. There are numerous social enterprises, mutuals and co-operatives which are functioning well and providing vital transport. For too long these organisations have been an afterthought of

legislators and subject to start-stop funding so dangerous to community schemes. A new government must commit long-term funding to these organisations, providing them certainty for planning and development.

For too long the motorist has not had enough say in the way in which our roads are repaired and maintained, despite the fact that they pay for them through their road tax and fuel duty. The current government's proposal to reform the Highways Agency will recreate a Network Rail for the roads, a governance model which has been demonstrated not to be fit for purpose. In contrast, a new Labour government should move to include a strong representative voice for motorists within the new structure.

As an island nation our ports have long been an important aspect of many communities around the country. The overwhelming majority of the goods we buy have been shipped to the UK and moved through our ports and their associated infrastructure. There are over 100 ports which were not fully privatised during the Tory years, collectively known as Trust Ports. They include the relative smaller ports such as Cowes, Dart or Tynemouth as well as some of the more established and large ports such as Port of Tyne, Dover, London and Belfast.

The Trust Ports are publicly-owned infrastructure which are operated by trusts. Trustees are appointed by officials within the Department for Transport and are not accountable locally. A new Labour & Co-operative government should legislate to open up the governance of these Trust Ports to ensure that the communities working and living in and around them have a say over the way in which the port operates and how their profits are reinvested locally.

## Housing

House building is at its lowest ebb since the 1920s. Demand for homes is far outstripping supply and we are building less than half the homes we need. Struggling families are being squeezed by house prices beyond their means, rising rents, housing benefit cuts and the government's failed economic strategy.

Britain needs a new approach to tackle this crisis of housing supply and affordability. Co-operatives can play a role in helping to increase the supply of affordable housing, while also creating employment opportunities in the construction industry and stimulating economic growth.

In Westminster and Whitehall, policy has stood still for the last four years and has failed to recognise the sector's potential. Around 10% of Europeans live in housing co-operatives, compared to 0.6% in the UK. This shows the potential contribution housing co-operatives can make but action is needed to enable this to happen. With concerted action we can achieve 20,000 new co-operative homes per year.

The role of Community Land Trusts (CLTs) is crucial. They work in rural and urban areas, and are a flexible tool to meet a variety of community needs. They not only offer a number of options for rent and low cost home ownership, but can also provide a mechanism for generating an income stream for reinvestment by the community. In areas where a rising population, economic investment and limited stocks of affordable homes threaten to exclude local people from the areas in which they live and work, CLTs are able to ensure a supply of affordable housing through the control of housing costs and resale prices.

In particular, the 'New Foundations' model can make a significant contribution to the supply of homes. It separates the cost of the land from the purchase price, by taking it out of the marketplace through a Community Land Trust. It ensures affordability through flexible monthly

payments that are based on an affordable percentage of household income. Any public subsidy is locked in and preserved for future generations, due to the structure of equity arrangements.

The government should legislate to establish co-operative housing tenure as a distinct form of tenure in UK property and housing law. This is a simple legislative change needed to recognise the unique nature of co-operatives. It should also legislate to exclude homes built on land owned by a community land trust from leasehold enfranchisement risk to ensure that homes on community owned land remain affordable in perpetuity. This is essential to clearly protect community owned land assets and prevent windfall gains which could occur under current legislation risking the long-term future of developments.

The government should also work with the co-operative housing movement to create a financial intermediary to raise and manage institutional investment in developing co-operative and mutual housing and operate an insurance fund to reduce investment risk. This will give comfort to investors, create a mechanism for 'warehousing' and allocating investor funds to new co-operative housing developments and insulate investors from the task of monitoring individual co-operative housing projects by offering default risk insurance.

A new national presumption should be established in favour of change of land use being granted where land value uplift is to be captured for the benefit of the community. This will be an incentive to free-up more land for co-operative and community owned housing development.

The Homes and Communities Agency should work with existing housing co-operatives that would be interested in using their assets to develop new homes. This has the potential to enable the growth of housing co-operatives particularly on smaller sites which are currently not being developed quickly enough.

The Treasury green book valuation guidance should be amended in line with recommendations from RICS Land and Society Commission Report to ensure that 'best value' considerations in disposing of all publicly owned land take account of long-term social and financial benefits.

The Tory-led government has done little for people living in privately rented accommodation. Rents are sky-rocketing in many parts of the country and bad landlords are failing to meet their moral and legal duties. One of the most vivid symbols of our broken private rented housing market is the emergence of letting agency fees for tenants.

Traditionally letting agents were seen as providing a service to landlords – finding them a tenant – and so it was landlords who paid the fees. Now some letting agents are double charging – exploiting tenants who feel powerless to refuse. A Labour & Co-operative government will ban letting agents from charging fees to tenants.

The Labour & Co-operative Parties recognise the importance of tenants and leaseholders having a real stake and voice in their housing. Many Tenant Management Organisations (TMOs) are constituted as co-operatives and evidence shows they provide an enhanced service and deliver real added social value.

The government should ensure that where local authorities do hold ballots on stock transfer, residents should have the option to vote for community-led stock transfers. These put residents at the heart of their management. Tenants as members have the right to stand for election to the board, vote in elections and attend the AGM as well as earning a 'dividend' for paying rent and service charges on time. Residents should be given the option of at least one of the following options: the Community Mutual used in a number of Welsh local

authorities, the Community Gateway Model used in a number of English authorities or the Hybrid Mutual model used by Rochdale Boroughwide Housing.

Where tenants prefer their housing to remain under local authority control, tenants should be actively supported to exercise their 'Right to Manage' by forming TMOs to take over the control of management of the council-owned housing in their neighbourhood.

Council tenants currently have both a 'Right to Manage' and the 'Right to Transfer' – the right to serve notice on their local authority that they wish to transfer the ownership of their estate. However, neither of these powers are available to the five million people who live in properties owned by housing associations in England. As many housing associations grow in size there are real issues about the accountability to tenants and leaseholders. The Co-operative Party believes there should be a review of governance in housing associations to ensure that they are governed by 'Rochdale Principles' of democratic accountability and learn from the success of existing mutual models.

In addition, the Co-operative Party believes that the 'Right to Manage' and the 'Right to Transfer' should be extended to Housing Association tenants to give them the ultimate power to take on management of housing services or transfer to another Housing Association where the service they receive falls short.

## Sport

The fans who support our nation's professional sports clubs are not just supporters, they are the heart and soul of their clubs and the fundamental reason that they exist.

Co-operative models in sport are not new. Most of the top cricket clubs are run as co-operatives, as well as the Rugby Football Union.

Football too used to be predominately run for the fans. But a social, cultural and sporting activity has become big business and clubs have become large PLCs. Alongside increasing commercialisation and a growing divide between the top flight and lower divisions, ticket price increases have priced many traditional fans – and young fans – out of the game.

The Co-operative Party and the last Labour government were instrumental in the creation of Supporters Direct and the development of football supporters' trusts. Through the pooling of individually held shares in supporters' trusts, many football fans have collectively won a real say over the manner in which their clubs are run. So far over 170 trusts have been established using the democratic, not-for-profit community benefit society model, of which around 50 have representatives on the board of their club.

The evidence shows that fan ownership can help football clubs become more successful and sustainable, and generates wider social value for the communities in which fan-owned clubs are situated.

However, there is a long way to go to put some of our sports clubs back where they belong – in the hands of their dedicated fans. The government should give fans the right to appoint (and remove) a minimum of two of the Board directors. This should be underpinned by the right to obtain (under an obligation

of confidentiality) financial and commercial information about the business and affairs of a football club. Supporters Trusts should be guaranteed the option to buy up to 10% of the shares of a club at the point of transfer of ownership.

In common with other community benefit societies, football supporters trusts should be exempt from paying corporation tax and relief from non-domestic rates.

The Co-operative Party also seeks to ensure the community powers enshrined in the Localism Act are more widely utilised by supporters' trusts and that those rights are strengthened. In addition to reforms of the Localism Act set out in the People Powered Public Services section of this document, the Co-operative Party believes that community interest groups should be given the right to designate a football club (business) as an Asset of Community Value, recognising the integral relationship between the business and the ground, and their social value.

The government should also legislate to protect club names and club colours from change without the approval of a legally constituted supporters' trust, at clubs where they exist.

Finally, given the vital work that Supporters Direct does, the Co-operative Party believes that its funding should be put on a statutory footing – funded through a levy on Premier League transfer fees.





# People powered public services

It is not just market forces that can leave people powerless and disenfranchised. Earlier this year, Ed Miliband identified the problem clearly when he said that:

“I meet as many people coming to me frustrated by the unresponsive state as the untamed market. And the causes of the frustrations are often the same in the private and public sector: unaccountable power with the individual left powerless to act.”

We all know that the challenges facing public services are just too complex to impose solutions from the top without the active engagement of the people who use and rely upon them.

But too often their voice simply disappears under the weight of a centralised bureaucracy as public sector organisations become focused on a narrow set of centralised targets. Where private sector outsourcing occurs, this too often means the replacement of large public-sector bureaucracies with a large private-sector bureaucracy. A future based around Serco or G4S simply reinvents the problem without the same level of accountability to government and significant profit leakage.

The massive fiscal challenges facing the next government, which will have to cut spending, make it all the more necessary to get every pound of value out of services by showing we can do more with government. But long-term sustainable budget savings can only be made if we rethink and reform public services while delivering standards that people need and expect.

Britain needs a radical devolution of economic power, to local authorities and city regions in England, to unlock the growth potential of every community. The strengthening of Local Enterprise Partnerships (LEPs) and support for Combined Authorities and Economic Prosperity Boards will improve political accountability and facilitate the devolution of further significant powers over the Work Programme, adult skills and infrastructure. However, this is a necessary but not sufficient reform to achieve this vision.

A further critical step in changing the accountability framework will be the introduction of a Public Service Users Bill. The government should legislate to give people more voice and power over all public services. These would include the right to recall a provider in the case of a serious breach of trust, the ability to trigger investigations and the right to choose their own provider in certain circumstances.

The last ten years have seen significant growth in public sector mutuals. These can provide the efficiency gains of the private sector while providing real democratic accountability, giving users, employees and other stakeholders a real say in how their organisations are run.

This way the quality of service is not dependent on the commands of producer interests or the whims of market forces, but on frontline expertise and the needs of the people that they serve. When established as genuine mutuals, public assets are locked into community ownership, providing further protection against privatisation and asset stripping.

## Integrating health and social Care

The NHS is undoubtedly Labour's greatest achievement. But its greatness stems not from its confused management structures, but because it delivers healthcare free at the point of need, irrespective of the ability to pay.

Much of the public debate about our health service focuses on the NHS as a single monolith, publicly owned and publicly run. But this is misleading. There is considerable diversity in the provision of healthcare services. Significant areas of activity which are provided outside the traditional public sector include GP practices, dentists, pharmacists, opticians and out of hours services. Many third sector organisations also provide specialist services in areas such as mental health, sexual health and palliative care. In England, more than half of all acute hospitals are now Foundation Trusts, public benefit corporations, regulated at arm's length from the Department of Health and accountable to their members.

Over the coming years, the NHS faces its greatest financial challenge since its inception. Historically, NHS spending has had to rise by approximately 4% per year to keep track with medical advances and increased demand. While the additional resources announced by the Labour Party will be welcome, spending on health and social care could fall tens of billions of pounds short by 2020, and will be subject to even greater financial pressures as we face an ageing population. To put it bluntly, without substantial reform, the NHS as we know it simply will not exist in the future.

Even if the financial imperative wasn't there, change is necessary simply because the way services are provided simply hasn't kept up with our changing needs. We have a system that too often treats patients as a collection of conditions, but fails to see the whole person behind them. Too many opportunities are missed to prevent illness and help people stay healthy.

Our social care system is broken. Private companies profiteer, whilst the elderly and vulnerable who rely on social care and the workforce that deliver it, pay the price. There is an urgent need for reform of the 'market' in social care – reducing profit leakage, improving the quality and accountability of care, preventing the continual downward pressure on terms and conditions for the workforce, and better aligning the values of social care with those of the NHS to support the transition to an integrated system. There is a need to regulate Personal Assistants to ensure quality and standards in this service that has grown exponentially since the introduction of direct payments.

The social care system is close to collapse as tighter eligibility criteria mean that hundreds of thousands fewer people are getting help. This inefficient, fragmented way of working simply cannot be justified in a modern health and social care service.

The Co-operative Party believes we need to be brave and outline an alternative vision for health and social care: one that is built around the whole person - meeting their physical, mental and social care needs. This vision can only occur under local systems that truly integrate the different players in the system, delivering co-operation not competition and putting people before profit.

While we are committed to no further wasteful 'top down' reorganisations of the health service, the scale of this ambition goes above and beyond any of the NHS reforms that have taken place in recent years.

While previous reforms changed NHS structures from the top, this vision requires a 'bottom up' revolution on the frontline, with fundamental changes in the way that services are to be organised and provided.

As Simon Stevens, the Chief Executive of NHS England, has identified, England is too diverse, both in its health services and its population, for there to be a single 'one size fits all' approach that would work for each local system. But there are three key principles that every system will need to adopt if they are going to succeed in fulfilling this vision.

Firstly, each local organisation or partnership will need to be highly entrepreneurial in nature. The scale of the task in hand and the relatively short time scale for delivering it, means that organisations will need to drive change effectively and quickly develop new ways of working. Secondly, they will need to invert the current decision-making structures in the NHS, as service provision will increasingly need to be formed by the experience of frontline staff and users rather than continue to be handed down from on high. Thirdly, the new local systems will need to bring together a variety of organisations with different cultures and ways of working, building partnerships between people who now barely talk to each other, drawing together joint planning and actions to act as one team.

All this points to systems which are built on co-operative values and principles. Whatever legal structures they choose to follow, they will work best through co-operative methods of working - giving clinicians, frontline staff and patients the opportunity to shape services in a more co-ordinated way.

Across the world, co-operative and social enterprises are integrating health services, often led by frontline staff and remaining accountable to the people that use them.

In Spain, there are a number of integrated health co-operative systems, where service delivery typically involves both a consumer

co-operative that owns and runs a hospital, worker co-operatives of doctors that operate health clinics and facilities through a jointly owned health insurance co-operative. In the metropolitan area of Barcelona, a health co-operative of 170,000 members owns a hospital that collaborates with 5,000 doctors in jointly running the hospital's health facilities and local clinics

Here at home, co-operative and social enterprises in primary care are relatively new. However, research by the Kings Fund has shown that new ways of working have led to a reduction in bureaucracy and flatter decision-making structures with a narrowed gap between executives and the front-line. They have increased accountability for staff, and reinvested surpluses back into services and staff development. A number of them have begun to lead the way in integrating primary care, community healthcare and social care.

In social care, co-operative and social enterprises bring together service users, informal carers and personal care assistants to ensure that both users and employees can benefit from a more formalised system of care and economies of scale. This means that recipients are able to remain in control of the day-to-day provision of how their care is provided, while personal care assistants are able to ensure that they receive appropriate employment conditions.

In Oldham they have set up a not-for-profit company to deliver social care services to those who would otherwise procure services from the private sector. The company pays the living wage, invests in staff training and even offers a 'staff divi' to all staff. The surplus generated by the company is being used to tackle shortfalls in the council's social care budget. Oldham Care and Support at Home are challenging existing private sector providers of social care services and changing their local social care market.

With the Council now playing a greater role in shaping social care services they are also in a better position to align health and social care provision via their Health and Well-being Board and working with NHS partners.

The Co-operative Party endorses the proposals outlined in chapter five of Sir John Oldham's Independent Commission on Whole Person Care, commissioned by the Labour Party. It clearly envisages the emergence of new providers focused on better integrated services, or the emergence of new networks of providers. While some of these new providers may wish to continue working within existing NHS management structures, we believe that many will seek to establish new organisations operating under NHS principles but outside of the traditional NHS. Genuine co-operative and mutual structures are best placed to ensure that entrepreneurial changes to services are allowed to emerge, but that necessary safeguards continue to ensure that organisations are legally committed to trading for a social purpose, and that they remain accountable to staff, patients, carers and members of the general public.

In order for this to happen, there needs to be the necessary support for the creation of new mutuals and social enterprises as well as ongoing support within the commissioning framework to promote long-term sustainability and success. These will require:

- The procurement of financial, legal, technical and HR support necessary to successfully identify an appropriate model and then go through the process of 'spinning out' can be challenging and expensive. Collectively procured support and more mentoring by other organisations who have been through the process can help reduce these costs and burdens.
- One of the early attractions of the 'right to request' programme for participants was the promise of a five year initial contract (compared to the traditional three years). Such contract lengths should be considered

more widely for the not-for-profit sector in recognition of the challenges posed by more regular re-commissioning including the uncertainty it poses and the lack of investment lending that is often available to the sector.

One of the most significant shifts in NHS governance in England in the last ten years has been the creation of Foundation Trust Hospitals. The first Foundation Trust opened in April 2004 and since then more than 140 trusts have been established spanning acute, mental health and ambulance services. Ten years ago the vision was an ambitious one – a groundbreaking new legal structure modelled on traditional co-operative and mutual societies. They introduced for the first time in NHS-run services the concept of grass-roots membership with democratic governance. This offered a new model of healthcare that was controlled and run locally; giving staff, local communities and other stakeholders a far greater voice in how hospitals were run.

The last decade has produced much to be celebrated with some Trusts, particularly mental health trusts, seeking to make the most of this model. There are now more than two million members of Foundation Trusts and over 50% of Trusts say that members have influenced what they do. However, partly as a result of shortcomings in the original legislative framework and partly as a result of regulatory focus on finance and risk management to the exclusion of all else, the experience has largely been a focus on widening membership rather than deepening participation and democratic practise.

The Co-operative Party believes that the values and vision behind the creation of Foundation Trust hospitals remain the right ones.

The rapid growth in the number of Foundation Trusts has seen a widening rather than a deepening of community engagement and in some areas the lack of commitment to the model is evident from hospital management.

Whilst the aim that every hospital should be a Foundation Trust is right, in practice it risks becoming a 'paper exercise' without the necessary commitment to making a real change in governance. Consideration should be given to removing the target that all hospital trusts should become Foundation Trusts and instead allow local communities (working with their local Healthwatch) to initiate the process of becoming a Foundation Trust.

Reforms to Monitor should include a change in its remit to ensure that it fulfils its statutory responsibility to regulate the membership governance of NHS Foundation Trusts. The regulatory framework should be toughened and trusts should be forced to explain how they are engaging members in decision-making and ensuring that governor elections are vibrant.

Building on the practice of the best NHS Foundation Trusts, Monitor should modify its code of membership governance on how Trusts should involve their members in decision-making processes. This should include consulting a defined portion of the Trust's membership on its budget and strategic priorities and ensuring that the staff membership play an active role in its governance.

## Schools

Co-operative schools in England are a model for what all good schools aspire to be: democratically engaged with the local community, driven by ethical values, and with an emphasis on improving learning outcomes through co-operation rather than competition. The move to a co-operative model provides a framework in which everybody with a stake in the school's success - parents, teachers and support staff, local community organisations and even pupils - has the opportunity to be involved in running it.

Already a successful feature of many overseas education systems, the growth in the number of co-operative schools in England has been rapid and significant, increasing to over 700 during

2014 with the prospect of 1,000 co-operative schools by September 2015. For an increasing number of schools, it provides a strong mutual 'root' and a clear mechanism for involving parents more effectively in their children's education.

The Co-operative Party believes that the successes of the co-operative school movement should be recognised and built upon. The next Labour and Co-operative Government should commit itself to further growth in the number of co-operative schools, with a target of 3,000 schools by 2020

Despite receiving no support from the coalition government, who have focused exclusively on Academy and Free School models, the movement is growing and developing. However much more could be achieved if the Department for Education applied a fair and level playing field to all school models.

The government should amend the 2006 Education and Inspections Act to allow schools to become legally formed co-operatives under the Co-operative and Community Benefit Societies Act. It should also allow nursery schools to become co-operative trusts and join co-operative clusters.

A Labour & Co-operative government should create a fair system of funding for local school collaboration. Just as funding is available to support the development of free schools and academies, it should also be available to help form co-operative clusters, support the development of co-operative governor training programmes and the work of the Schools' Co-operative Society.

Labour should support collaboration for school improvement via co-operative models by allowing co-operative trust schools to become academy sponsors - thereby enabling them to formally support other co-operative schools - and by supporting the development of school improvement co-operatives like the ones created in Leeds and Manchester.

Co-operative school clusters have shown that schools work best when they work together. A future Labour & Co-operative government should ensure that the experience of local co-operative clusters informs the development and implementation of David Blunkett's proposals for Community Trusts to support collaboration between schools.

Co-operative schools have also shown that the involvement of parents, staff and pupils can improve the way that schools are run, help more parents embrace their child's education and provide important lessons for pupils. A future Labour & Co-operative government should legislate to ensure that all mainstream state funded schools, whether community, trust, faith-based schools or academies can establish co-operative governance structures, should they wish to do so increasing accountability to parents, pupils, staff and their local communities.

Parent and teacher associations should become mandatory in all mainstream schools by September 2016, and should each have responsibility for appointing at least one third of the school governors. Every school should also be required to have an elected body for students, which will play an important role in setting its ethos and overall direction.

## Co-operative councils

As the tier of government closest to residents and communities, we all rely on councils to make decisions over the sort of services that are provided locally and how they can best meet a range of local needs. However, the cuts to council funding and planned future reductions in spending combined with growing demand on services and changing expectations of service users mean that local government has to radically change the way it works if it is to remain effective, relevant and accountable. Some councils have responded to these changes through a mass outsourcing of services to the

private sector, but others have sought more innovative, user-focused models of reform, such as the adoption of the co-operative council concept.

Co-operative councils are pioneering a new approach to council services around the concept of local councils being more 'co-operative' in how they deliver services. While being a co-operative council means different things in different places, underpinning the model is a genuine commitment to working with local residents and communities, rather than merely doing things to them. This is an alternative to both traditional top down decision-making and 'command and control' models of public sector provision, as well as those based on privatisation and contracts based on price competition. It is an approach rooted in co-operative values and principles, with objectives that can include:

- supporting the growth and development of existing local co-operative and mutual enterprises,
- promoting co-operative business start-ups and the co-operative business model, including co-operative models of local public service delivery,
- involving service users in the commissioning, design and delivery of local services and in identifying and achieving improved outcomes,
- helping residents and communities to help themselves through collective action and giving them control and responsibility over local assets.

## Local public services

In both national and local government, more needs to be done to support smarter and more strategic commissioning and procurement of both goods and services. The current and future financial pressures on the public sector and the desire for efficiency savings make getting the most from public resources essential.

Mutual and social enterprises provide services that are strongly focused on the end user. Their structures are established in order to balance the appropriate importance of different stakeholder groups. Co-operative and social enterprises are often able to better meet the needs of end users because their services are influenced by them. They also tend to provide added value through meeting social, environmental and economic development goals, and can deliver services to hard-to-reach groups and work in areas of market failure.

The Co-operative Party supported the Public Services (Social Value) Act 2012 which recognises that how and with whom public authorities contract can have a profound effect on the manner in which services are provided and the value gained from them. However, it is relatively limited in scope, relating as it does to the 'pre-procurement' stage and cannot be used during the consideration of the final contract award. It also only applies to contracts for services not for goods or works.

We believe that the government should legislate to ensure that public bodies are required to publish their social value priorities and weighting of contracts toward them. Tender evaluations would be required to include whether a bidder is transparent about its tax arrangements, meets FairTax Mark standards, pays the living wage and meets appropriate standards on apprenticeships. Minimum standards would be enforced, with public bodies only allowed to do business with firms that pay fair wages and taxes.

New EU procurement rules will – if properly implemented by the UK government – acknowledge the benefits of co-operative and social enterprise procurement of local services and create a vital rebalancing in England and Wales. An incoming Labour & Co-operative government should ensure that implementation allows contracting authorities to reserve some contracts for not-for-profit enterprises; and provide strong and clear guidance on the types

of co-operative, mutual and social enterprise models covered to ensure they deliver the social value intended and do not allow for privatisation via the back door.

## Communities - transferring power and assets

We believe that community-based and new mutual organisations have a vital role to play in preserving and running local services, tackling crime and anti-social behaviour, supporting families, engaging young people and regenerating rundown neighbourhoods.

Where assets are transferred, it is also important to ensure that they continue to operate in the interests of the community being served. It is therefore suggested that community benefit societies would provide the best legal structure to enable such a transfer as:

- They are democratically accountable to a widely defined and open membership, thus ensuring that community-based organisations act in the public interest.
- They have an 'asset lock' which can guard against dissolution and ensure that resources can only be transferred to other organisations with a similar commitment to serving the community.

In particular, the decline in rural services has been well documented. Rural co-operatives, such as community-owned shops, post-offices and pubs, and other social enterprises can sometimes be the only viable alternative for communities looking to retain or re-introduce a service in areas of market failure.

Powers under the Localism Act 2011 have given communities important new rights. However, it is still a real challenge for them to mobilise quickly enough when a local asset is under threat, especially when the owner of the asset refuses

to engage in a constructive dialogue. Labour should review the existing rights and strengthen the legislative framework to effectively change the balance of power.

The protected period during which communities can mobilise to take control of an asset is currently too short and should be extended to nine months – with the option for a further extension where the owner of an asset is refusing to speak to interested community groups. Further, Community Interest Groups (CIGs) that have successfully listed assets should be given a ‘first right of refusal’ to purchase the asset making the right a real ‘right to buy’ not simply a ‘right to bid’.

Where local authorities decide to externalise services, they should provide employees, service users and the wider community with a ‘right to try’, which would give them the option and a time frame of six months to consider taking over the service through establishing a co-operative or social enterprise. Councils should also ensure that these schemes are given sufficient support through the feasibility stage to enable them to compete with established private sector companies.

## BBC

The BBC is the largest broadcasting corporation in the world and a pillar of Britain’s cultural life. Yet the aftermath of a series of scandals has led many to question how responsive the BBC is to members of the public. The replacement of the board of governors with the BBC Trust was the first step to increasing its credentials as the voice of the licence payer. Unfortunately, this has not gone far enough. The Trust has had a mixed beginning with many commentators questioning the degree to which its governance is working in providing an effective challenge to the BBC executive.

Putting all arguments regarding the current arrangements to one side, the BBC should be accountable to licence holders for one simple reason alone – because we pay for it. With

significant sums of money spent annually the public deserves to have more of a say on the package of services and programs that are delivered.

For the BBC to become truly accountable, all television licence holders must be given the right to become individual members of the BBC Trust. As a genuine mutual venture, the Trust would then give all of its members the right to elect representatives to the Trust board. BBC staff, the government and other stakeholders would also be represented to ensure all interests are taken into account.

The BBC Trust would be structured so that all of its members have a voice. This could provide a genuine forum for informing, and where appropriate, consulting with citizens. It would provide a medium through which TV licence holders could express their views on the services that the BBC provides and a focus for ensuring that its links with viewers remain strong.

## Police and crime

A co-operative community is a safe community. The more that people share values and a sense of belonging, the stronger and safer their community will be. In increasingly diverse communities, co-operative values are common to many backgrounds, religions and cultures – and can provide the common thread that binds people together in common endeavours.

Since 2011, elected Police and Crime Commissioners have worked in co-operation with local government, the police and other bodies to cut crime. The Co-operative Party is proud of the approach taken by Labour & Co-operative Police and Crime Commissioners who have spearheaded a co-operative approach to policy making – working with communities and stakeholder groups to co-produce crime prevention strategies.

Successful approaches to policing and crime reduction put citizens at the heart of the fight against crime. Public participation in police

work has always been vital, but as resources become tighter it becoming ever more vital. The government should do more to unlock the hidden wealth of voluntary activity and social networks to contain and prevent crime.

Neighbourhood Watch schemes were established during the high crime wave of the 1980s and still involve around ten million people. The idea is that a group of committed citizens can share information and work together to prevent crime in their local street, acting as a point of contact for the local police. However recent years have seen the development of a number of different initiatives designed to mobilise communities in the fight against crime. These should be recognised and built upon by government.

Street Watch is currently the only fully regulated UK model for civilian street patrols that involves the whole community. The scheme encourages residents to adopt a new working partnership with police in patrolling their own communities. There are currently Street Watch schemes across a number of Force areas, including Greater Manchester and the West Midlands. Early evaluations of the scheme suggest it can dramatically reduce the fear of and perception of crime. The government should provide funding for the establishment of a street watch scheme in every lower-tier local authority in the UK.

Facewatch is a business-led initiative to tackle crime, which enables local firms to file reports with witness statements and CCTV footage directly to the police. Where it has been introduced, it is already leading to more arrests and cutting costs, with the Metropolitan Police estimating that its use has led to a 72% increase in detection rates and a two week reduction

in the average speed of solving a crime. The government should ensure that all local police forces work with Facewatch to introduce a scheme in their area.

Citizens UK's City Safe Havens campaign provides young people with places they can go for protection if they feel threatened on the streets. The government should ensure that police forces offer participating businesses a service agreement, including a named liaison officer and regular visits from the Safer Neighbourhood Team.

The Co-operative Party believes that the success of the Crime and Disorder Act 1998 should be recognised and built upon. We need to protect and extend the arrangements that the Act put in place, strengthening local accountability at a neighbourhood level. The government should legislate to give local government a say in the appointment of local police commanders. Lower tier local authorities should be given the power to set priorities for neighbourhood policing, the local policing of volume crime and anti-social behaviour and should retain a proportion of the police precept ring-fenced for the commissioning of police and crime priorities.

The practice of directly involving local people in debate and decision-making about how to spend resources has been growing in recent years. The Co-operative Party believes that there is scope for significantly extending the role of participatory budgeting in policing, with budgets devolved to local policing and neighbourhood areas. We believe that police forces should establish 'participatory budgeting units' in order to ensure greater involvement of local communities in allocating local police resources.



# International issues

From its inception more than 150 years ago, the co-operative movement has always stood for an international approach to solving the world's problems. This stems, at its heart, from a belief that we achieve more together than alone and that collectivism, solidarity and the struggle for social justice have always extended beyond our borders.

As our world becomes more and more interconnected, it is becoming increasingly apparent that no nation is insulated from what goes on elsewhere, and no country is able to solve all of its problems on its own. Whether it's a question of dealing with a precarious global economy, the looming catastrophe of climate change or the continued emergency of global poverty, co-operation between nations has never been more important.

A reductionist approach to see foreign policy simply as the means to pursue narrow nationalist and short-term economic objectives can only diminish our position in the long run. Long-term success requires an open multilateral approach based on the universal principles of democracy, equality and human rights - which has sadly been lacking in recent years.

## Free and Fair Trade

The Co-operative Party believes that trade is an important tool in driving economic growth, improving living standards and the fight against global poverty. The Co-operative Party seeks to build a model of globalisation that benefits people worldwide, in developed and developing countries alike.

As it stands, international trade rules favour the most powerful countries, putting poor families

and developing countries at a disadvantage. The Co-operative Party will continue to champion the replacement of free trade with just and equitable trade.

The UK government should continue to champion an end to trade distorting subsidies and tariffs which stop developing countries being able to sell their goods at fair prices in Europe, the United States and other more economically developed markets.

In 2005, world leaders pledged to make it easier for poor countries to export their products, yet progress on the Doha trade round has been slow. The World Trade Organisation's recently agreed global trade deal presents an opportunity to take a step in the right direction, but more needs to be done to make it easier for the developing world to trade with advanced economies.

Any future trade deals should recognise that poor countries need time to manage the transition to more open markets and should not be forced to liberalise at the expense of their development. We must continue to fight for flexibility in the EU Economic Partnership Agreements and strongly support trade policies based on research and analysis of their likely social, economic and environmental impacts.

Britain's relationship with Europe is of vital importance and the benefits which come with membership to the European Union cannot be underestimated. Comprised of 500 million

people, the Single Market generates over £10 trillion of economic activity. European markets account for half of the UK's trade and foreign investments, providing around 3.5 million jobs.

To create a resilient and diverse economy, the European Union and its member states need a regulatory environment that allows different business forms to develop on a level playing field. As distinct member-owned rather than investor-owned businesses, legislation makes it harder for mutual businesses to raise capital and for people to start and run a co-operative.

The government should work with the EU to revise its 'one-size-fits-all' approach to regulation and develop measures that will make it as easy to start, run and grow a mutual as any other business.

The EU currently has free trade agreements (FTAs) with more than 40 countries, including South Korea, Mexico, and South Africa. Furthermore, the EU is in the process of negotiating FTAs with more than 70 countries, including the USA, India and Japan, as well as growing economies like Brazil, Singapore and Vietnam.

The Co-operative Party welcomes the continued negotiations on this deal and will continue to monitor its progress. We share the concerns that have been raised about the impact that the Transatlantic Trade and Investment Partnership (TTIP) could have on public services. We believe that public services work best when based on the principles of co-operation rather than competition. That is why we believe that they should not be included in any TTIP agreement.

We are determined to ensure that any trade deal does not simply result in a race to the bottom on labour, environmental, health and safety standards. There are serious concerns over the inclusion of an Investor-State Dispute Settlement mechanism in TTIP, as we believe that the right of governments to legislate for legitimate public policy objectives should be protected effectively in any dispute resolution mechanisms.

Fair trade ensures better prices and decent working conditions for farmers and workers in the developing world. It rebalances conventional trade, with fairly traded products benefiting their producers.

Since its creation by Labour, the Department for International Development has done valuable work to promote fair trade. Future governments should continue to support and expand the role that fair and ethical trade can play in helping the world's poorest families. It should provide more support to enable smallholders to form secondary co-operatives which will enable them to access fair trade markets.

Products produced under fair trade conditions need to be available to the consumer at comparative prices. The government should campaign for lower, or no, EU tariffs for fairly traded products and a change in international trade rules to create favourable tariff regimes for sustainably produced products. It should end VAT for all fairly traded products as an intermediate measure.

There also needs to be a fundamental reassessment of the future direction of fair trade. So far, the strategic intent of fair trade has been to establish a long-term price and a social premium, in order to help them move from a position of vulnerability to security and economic self-sufficiency. This has made a difference in the lives of tens of thousands of farmers across the world.

The time has come for the next stage in the process – a move to ownership. Through assisting fair trade producers to own an increasing portion of their supply chain, we can allow primary producers to create more highly processed products, and capture a greater percentage of the profits generated through their sale. This would also allow some of the world's poorest families to collectively own sophisticated international businesses. The government should therefore support a shift in

international development funding to support targeted aid allowing producer co-operatives to capture more of the supply chain for their products.

## Fair tax

There is no area that demonstrates the need for multilateral working more clearly than the need to ensure that individuals and companies pay their fair share of tax. Society relies on tax revenues to provide essential services.

Individuals and business alike should pay tax in the countries in which they earn it. High profile examples of companies, and individuals, being seen to avoid tax to extreme levels have exposed a system that requires significant reform. The current system of global taxation is deeply flawed, with African countries losing US\$50 billion a year to illicit financial flows.

The government should ensure that action to tackle tax havens and tax avoidance is top of the international agenda. This will require work at a domestic, EU and international level, including looking at Britain's Crown Dependencies and overseas territories. In particular, it should prioritise increasing transparency in the Crown Dependencies and overseas territories, including requiring UK tax havens to reveal the identity of British tax evaders.

They should seek an international agreement to require full public disclosure of beneficial ownership and capital flows in all secrecy jurisdictions and introduce a general anti-avoidance principle, so that all payments between subsidiaries of companies aimed at reducing tax are made illegal.

The sharing of tax information should be extended to developing countries and country-by-country reporting must be made available to all, requiring large multinational companies to publish the key pieces of information needed to

assess the amount of tax they pay. Developing countries must also be given more support to deal with the transfer pricing challenge, and to improve their tax collection capabilities.

## Protecting the future of our planet

Our continuing reliance on fossil fuels places an unsustainable and dangerous burden on our environment, as well as aggravating international tensions and jeopardising progress towards social justice. We all know that the long-term future of our planet is at stake, and that sustained increases in the levels of carbon dioxide and other greenhouse gases could have grave consequences for our global climate.

The Intergovernmental Panel on Climate Change published its Fifth Assessment in 2014, summarising the work of thousands of scientists across the world. The message was, in the panel's own words, "unequivocal". Without strong action, temperatures are very likely to exceed the two degree target that governments have committed to. This will result in serious consequences including sea level rises, heatwaves, loss of snow and ice cover, disruptions to agriculture and food production, and greater extremes of drought and rainfall.

Our world simply cannot afford to waste another six years to agree a comprehensive agreement on reducing emissions.

The government should continue to advance international action on climate change, playing a leading role in pressing for and delivering international agreement. The negotiations that will take place in Paris this year will decide whether or not we head towards a future of a safe climate for ourselves, and for future generations. The government must work to ensure that a deal is made in Paris that will radically cut global emissions, and will provide the support needed by poor countries that are already struggling to cope with a changing climate

## Tackling global poverty

The Co-operative Party believes that everyone has the right to earn a decent living and provide for their family. Poverty is political and the co-operative movement has a proud record of helping to tackle global poverty through support for international development and the establishment of self-help initiatives.

Since the Millennium Declaration in 2000, the concerted efforts of the international community, civil society and national governments have helped expand hope and opportunity for people around the world. Extreme global poverty has been halved. 90% of children in developing regions now enjoy primary education. The likelihood of a child dying before age five has been nearly cut in half over the last two decades.

But while much progress has been made, there is still much to do. One in five people in the developing regions still live on less than \$1.25 per day, and 162 million children still suffer from chronic malnutrition. Globally, four out of every five deaths of children under age five continue to occur in sub-Saharan Africa and Southern Asia.

We are committed to supporting a post-2015 development agenda that seeks to eradicate global poverty once and for all, and we believe that this can only be achieved through a rights-based agenda. Such an agenda must ensure decent jobs and social protection, access to universal health and social care, universal access to basic utilities, quality primary and secondary education, protection of ecosystems and biodiversity, basic food security and eradication of hunger, women's empowerment and gender equality.

The Co-operative Party believes that Britain should remain committed to spending 0.7% of national income on aid, and that this commitment should be enshrined in law. Having

worked to free 28 countries from the shackles of debt, we call on the government to continue to drive this agenda, as well as building on previous legislation to clamp down on vulture funds.

## The Co-operative movement

The co-operative movement is one of the largest organised segments of civil society with over 800 million members and plays a crucial role across a wide spectrum of human aspiration and need. Co-operatives employ more than 100 million people, and provide some form of support for an estimated three billion people across the globe.

They provide vital health, housing and banking services; they promote education and gender equality; they protect the environment and workers rights. They play a vital role in the empowerment of the economically disadvantaged, and we will work to support them across the globe. These achievements should be recognised and built upon by the international community.

Experts agree that the poor themselves must be centrally involved in the global campaign against poverty. Co-operatives do this, putting people at the centre of development, empowering communities to bring themselves out of poverty.

The families of smallholder farmers comprise the vast majority of the world's poor, with over two billion people, or a third of the global population, dependent on their income. Despite this, donor support for smallholder families has declined considerably over the last 20 years. While recent action to reverse this trend should be commended, the financial crisis has led to them being hit by a triple whammy of falling commodity prices, reduction in remittances and difficulty in accessing credit.

Agricultural co-operatives play a vital role in allowing farmers to access services and markets, and are involved in over 50% of global agricultural production, enabling small producers to stay on their own land, and retain ownership. They provide a mechanism through

which producers can come together and buy capital, thus allowing them to maximise gains from economies of scale. They also provide a natural framework for community investment, given that producer co-operatives often cover entire neighbourhoods.

In more economically developed countries, individual co-operatives have been able to build secondary co-operative structures - owned and controlled by their member organisations. These allow them to take advantage of increased economies of scale and power in national and international markets.

Mutual ownership models have also provided a much needed alternative and an effective means of delivering essential utilities such as clean water, electricity and telecoms in the developing world. Success stories from around the world suggest this can be done in a way that balances much needed investment, expansion of access, social responsibility and accountability to service users. Recent years have also seen a significant expansion of community-led health service facilities in developing countries, from countries as diverse as Burkina Faso and Brazil.

Support for co-operatives to develop capacity in these areas is vital. The Government should work with the co-operative movement and its international partners to set up a Co-operative Agency for International Development, which will provide support and build international co-operative capacity. This agency can work in partnership with the Government and draw on the experience, expertise and resources of the UK co-operative movement to help build effective and modern development around the world.

It is vital that the UK Government follows the European Commission in recognising co-operatives as a specific type of development actor and support measures that clearly address their specific needs.

## Human rights

The Co-operative Party believes that human rights are universal, and that it is the job of strong and mature democracies to support the development of free societies. Britain's standing in the world is in part judged on our commitment to universal human rights.

We believe that any withdrawal from the European Convention on Human Rights will create a damaging global precedent and harm Britain's standing in the world. We believe Britain should lead by example on human rights, upholding them domestically, and advocating for other states to do the same.

We also believe that UK companies and institutions should be governed by the same rules when they act overseas as they are governed by at home. The Government should legislate to provide victims of human rights abuses with access to the British courts for remedy, compensation and criminal prosecution - when these are found have been committed by, or in collusion with, UK based multi-national companies. They should also move the UK's National Contact Point for multi-national businesses to a neutral non-governmental public body, and give DFID and civil society a role in bringing investigations.

Existing government policy should be tightened to ensure that weapons produced in Britain are not used to abuse human rights elsewhere in the world.

Bangladeshi garment manufacturers have publicly admitted that their recent limited concession on labour rights was motivated by the withdrawal of tariff exemptions by the US and similar proposals by the EU. The Government should campaign for the EU to withdraw tariff exemptions, with notice, for all countries that continue to deny labour rights as defined by the International Labour Organisation (ILO).

UK public sector organisations do not have the knowledge or resources to develop effective ethical procurement policies to support fair trade, human rights and improve living conditions in developing countries. The UK Government should set up an Ethical Procurement Unit within DFID to distribute model policies to all public sector organisations.

These should include the right to arrange audits of factories and other workplaces in collaboration with local NGOs or trade unions, with DFID funding available for this purpose. Public sector organisations should have their ethical procurement policies subject to audit and published.

DFID should also help to establish a 'fair made' labelling scheme for the clothing industry. Currently consumers have no way of making a difference, with the limited, welcome exception of a few Fairtrade certified cotton products, which, can only cover the raw materials stage of some supply chains.

This should identify products that are independently audited to pay 'living' wage rates, offer safe work places, respect union rights, offer maximum secure contracts, and reject exploitative contracts for women and temporary workers. These standards should be upheld not just in the primary businesses but also in subcontractors and second tier suppliers.



# politics for people

We believe that things work best when ordinary people have a voice, and when services are accountable to the people who use them.

As the political party of the co-operative movement, we work in partnership with the Labour Party to achieve these aims. There are 31 joint Labour & Co-operative MPs in Parliament, as well as representatives in Scotland, Wales and local government across the UK. Together, we're ensuring that co-operative and mutual values are at the heart of politics.

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