6 steps to build community wealth

Using what we already have to generate local economic growth co-operatively

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the co-operative party
local

Using this publication

This publication is a practical guide for councillors, local authorities, public-sector institutions and those working in regional economic development to implement community wealth building in every region of the UK.

What is community wealth building?

The guide begins with an introduction to community wealth building, and draws on an example of the approach in practice in Preston.

Recommendations for local action

Although these steps have value individually, they will be most transformational when implemented together. They are intended as a starting point – every region has its own particular challenges, and local representatives should use this guide to shape their work with partners and experts to develop their own approach.

- Step 1 **Co-operative Political Leadership**
- Step 2 **Anchor Institutions**
- Step 3 **Progressive Procurement**
- Step 4 **Co-operative Development**
- Step 5 **Local Investment**
- Step 6 **Assets and services working for the community**

Changes to national policy to campaign for

While this guide is designed to enable local representatives to make change happen without waiting for Whitehall, we put forward our proposals for how central government can better empower local government and communities. We hope that the many Labour and Co-operative councillors across the country will work with us in campaigning for these changes.

Introduction

Approaches to local economic growth have for too long centred around a model of inward investment; reliant on the whims of Whitehall and a race to the bottom between regions in a bid to incentivise big business to set up shop.

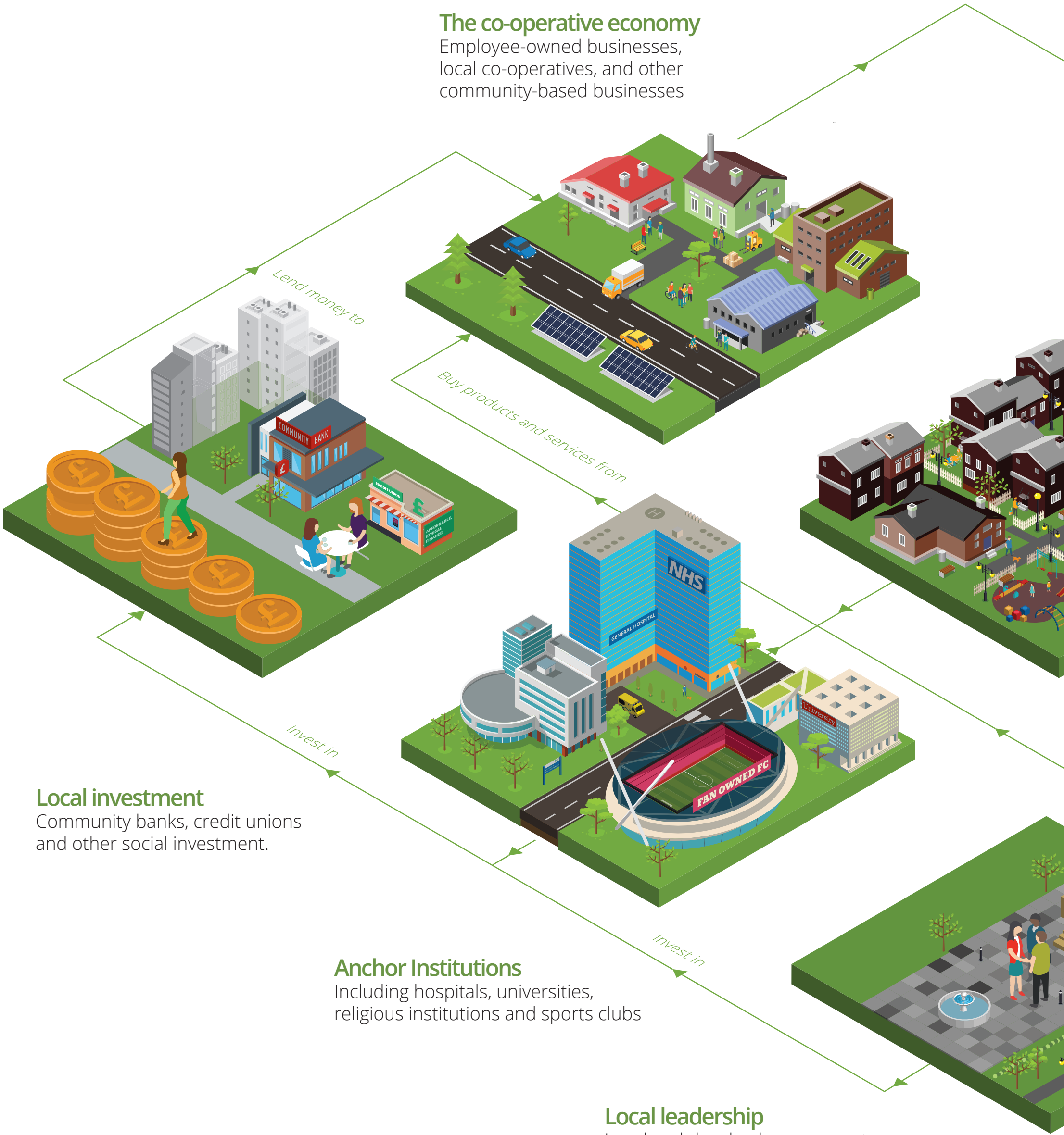
Deindustrialisation left many parts of the UK in decline. And while these areas have, by and large, moved past its worst excesses, they remain economies indifferent to people and place. Central government austerity policies leave councils struggling to provide basic services and communities vulnerable to shocks.

Britain's manufacturing heritage has been replaced by call centres and warehouses where jobs are too often secure only until the service is cheaper to provide elsewhere. Wealth is too often concentrated in distant market providers with little local economic or social return.

Community wealth building is a new approach to regeneration framed around co-operative values of self-help, participation, social responsibility and democratic accountability.

This publication seeks to provide the tools for local and combined authorities to transform the regions they represent by reorganising local economies and supporting communities to help themselves.

The Community Wealth Model



The co-operative economy
Employee-owned businesses, local co-operatives, and other community-based businesses

Local investment
Community banks, credit unions and other social investment.

Anchor Institutions
Including hospitals, universities, religious institutions and sports clubs

Local leadership
Local and devolved government bring together stakeholders and drive strategy forward

What is community wealth building?

Community wealth building is a place-based approach to economic regeneration which empowers local government and enables communities to create and retain wealth locally.

For too long, local economic policy has followed a “trickle down” path. Rather than waiting for investment from a new shopping centre or factory, community wealth building shifts the focus to harnessing existing local wealth.

Anchor institutions, such as the local authority, hospitals, football clubs and universities, spend millions of pounds annually on goods and services – but much of that spend results in limited additional benefit for the local economy.

Overhauling the way these institutions spend money can transform a local economy – buying goods and services locally means local businesses, social enterprises and co-operatives can thrive and grow, resulting in money remaining in the local economy and new local employment opportunities. A focus beyond ‘lowest cost’ to ‘social outcome’ means the public pound can go further in enabling local regeneration.

Where there are gaps in the local economy, communities can be supported to establish new worker co-operatives. As democratic, member-owned organisations, co-operatives play a critical role in generating and keeping wealth in local communities. Local employee ownership results in business decisions made in the interests of their local community – and instead of going into shareholder pockets, profits are reinvested in the business, local jobs or as dividends to members.

Long-term investment from local anchor institutions can be directed into a co-operative development agency which provides seed funding, loans, investment and advice to new co-operative enterprises. These co-operatives can benefit from the greater focus on social outcomes and local spend by anchor institution procurement teams, and deliver significant contracts for goods and services – further retaining wealth locally.

Finally, by addressing the context in which this regeneration occurs, regions can ensure communities are resilient, and tackle low living standards and growing inequality. Community ownership of assets; local services acting in the interests of local people; and a focus on financial inclusion will create a fairer society and ensure communities are better equipped to make the most of the opportunities that community wealth building offers.

Case study

Community wealth building in Preston

Preston City Council have been pioneering a community wealth building approach since 2013. Councillor Matthew Brown, Cabinet Member for Social Justice, Inclusion and Policy, shares their experiences.

In 2011, as Preston City Council became one of the worst affected by central government cuts in the country, plans for a £700 million investment in a new shopping centre fell through.

We realised that traditional growth models of waiting for inward investment could no longer be relied upon – we had to take a new approach to transform our local economy. With our partner organisations, and supported by the Centre for Local Economic Strategies (CLES), we have therefore been pioneering a community wealth building approach since 2013.

Only through collaboration could we bring these ideas to scale, and the Preston Model's strength is that it draws on the collective strength of the local public-sector, enterprises, co-operatives and communities to democratise and grow an inclusive local economy.

> **"Change doesn't always come from Westminster or the town hall."**

We started by identifying 12 large institutions rooted in Preston, such as the councils, the hospital, the university, and the police, and together we revised our procurement strategies. Many have signed up to pay the real Living Wage and promote it through their supply chains, and all have committed to, where possible, redirect spend locally. Already, over £10 million of public contracts have been awarded in Preston and the surrounding areas.

In partnership with the University of Central Lancashire the council is expanding the co-operative economy through Preston's Co-operative Network – supporting new and existing co-operatives to grow and bid for contracts from anchor institutions.

Our next step is to establish a Lancashire Community Bank to lend to the small businesses, co-operatives and individuals that are often ignored by the mainstream banking system.

To tackle fuel poverty and financial exclusion, we have helped to re-establish Guild Money, a city-wide credit union with 500 members, and also fund Lancashire Community Finance to provide affordable credit. The council will soon start supplying affordable energy to residents through 'Fairerpower - Red Rose Energy'.

The Lancashire County Pension Fund is investing £100m in student accommodation, a new hotel and office space in Preston and South Ribble – and we plan to look at how we can go further and invest in affordable housing and renewable energy locally too.

Change doesn't always come from Westminster or the town hall. In Preston, the local community, from the co-operative and trade union movement, to churches and mosques, has been very receptive to working in partnership. Harnessing their strength has been key to this approach's success.

Step 1
Co-operative political leadership

Reorganising the local economy requires local representatives to be at the forefront of turning these ideas into action.

The Co-operative Party champions the principle of locating decision-making and economic regeneration as close as possible to those affected. So, for community wealth building to be a success, local representatives, councils and devolved authorities must play a leading role.

Councils like Oldham, Edinburgh and Glasgow, under Labour & Co-operative leadership, have pioneered new working relationships with neighbourhoods and residents, underpinned by a genuine commitment to working with communities rather than merely doing things to them.

The community wealth building agenda is an ambitious, long-term shift in the way councils have traditionally operated, requiring deep and enduring partnership with local organisations, businesses and communities. Local leadership is a critical ingredient in culture change, and co-operative councillors, new metro mayors and devolved authorities must be at the forefront of turning these ideas into action.

Co-operative political leadership
Practical steps to put this into practice

- Make a local long-term commitment to community wealth building. For example, local or regional political leadership could embed the approach in their economic strategy setting out the region's ten-year vision.
- Appoint a cabinet lead or deputy mayor for co-operatives and community wealth, or embed in the responsibilities of the most senior finance or regeneration cabinet lead, to steer the agenda.
- The community wealth building approach must be properly resourced, with buy-in from senior officers and sufficient staff across the local authority tasked with its delivery. New approaches to regeneration require culture change within the local authority, so cross-departmental working should be promoted and there should be co-operative and community wealth champions in every team in the council.
- Community wealth building is an incremental process that takes time to embed. Political leaders will need to understand and communicate to communities the long-term vision rather than quick wins.

Co-operative political leadership in practice

Glasgow City Council

In 2012, Labour & Co-operative-led Glasgow City Council made a commitment to develop Glasgow as a co-operative city.

To achieve this, co-operative principles have been embedded in the Council's long-term strategic plan and the Council has established a Co-operative Development Unit (CDU) to deliver the agenda. An executive role responsible for Co-operative Glasgow was created to oversee the CDU and provide political leadership.

> *"We will grow Glasgow as a co-operative city and expand the number of social enterprises and co-operatives in the city through direct funding and bespoke support for the sector."*
>
> Glasgow Economic Strategy 2016-2023

Changing the way the council works cuts across departments, so a cross-functional group of 'co-operative champions' was established to identify co-operative opportunities and develop links beyond the council.

This commitment to a Co-operative City was underwritten with a £500,000 annual budget[1] – used to set up the Glasgow Business Development Fund which gives transformational grants to co-operatives, mutuals, social enterprises and any parts of the Council which require support to further develop co-operative working or opportunities.

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1 http://nws.eurocities.eu/MediaShell/media/2016AwardsCitiesinactionGlasgow.pdf

Step 2
Anchor institutions

An anchor is a place-based institution that can play a key role in building, and benefiting from, thriving local economies.

What is an anchor institution?

An anchor is an organisation that is tied to its location – meaning institutions that can't move, or at least not easily, thanks to one or many of the following criteria:

- Locally invested capital,
- their purpose as an organisation, or
- their unique relationship with their customers, community and employees.

Anchors should be a significant employer and have substantial purchasing power, but can come in all shapes and sizes. For example, an anchor could be a university, public library, theatre, religious institutions, utility company, military base, local authority, hospital, port, sports team or a large business with strong local links like a regional bank.

Traditional approaches to local regeneration seek to attract and incentivise large private employers moving to a region.

The flaw in this approach is that as market conditions change, there is nothing to prevent these big businesses from moving out – leaving behind a community without jobs or alternative sources of wealth in the region. For example, one of the latest communities to risk losing a significant local employer is Peterlee in the North East, where PepsiCo are consulting on moving the manufacture of Wotsits and Cheetos, and the 400 associated jobs, elsewhere.

While private business can significantly contribute to local employment, relying solely on attracting large businesses who have no long-term stake in the success of their local economy risks short-term regeneration. This 'inward investment' model lasts only as long as the business chooses to remain in a region, with much of their profits leaving the local economy to pay shareholder returns.

Anchor institutions
Practical steps to put this into practice

- Identify potential anchors and engage senior leaders in a local wealth building vision.
- Create a network for anchors. This could be via existing structures like the Local Enterprise Partnership (LEP), or a new network focused on community wealth building, to enable co-operation across institutions. This should include both a strategic network of senior leaders, and also a practitioner network for procurement officers.
- Decide a framework of basic behaviours, including becoming Living Wage employers, signing up to the Fair Tax Mark, and agreeing shared outcomes on local economic sustainability, participation in community wealth building, and local employment.
- Commission a study of existing impact of anchor institutions to give you an evidence baseline to help understand where intervention can have the greatest impact. This should include an understanding of anchor institutions' procurement policies, influenceable spend, and local employment.

Anchor institutions in practice

Leeds

Leeds City Council, the Leeds City Region and the Joseph Rowntree Foundation conducted a study into anchor institutions in the Leeds City Region and their local impact.

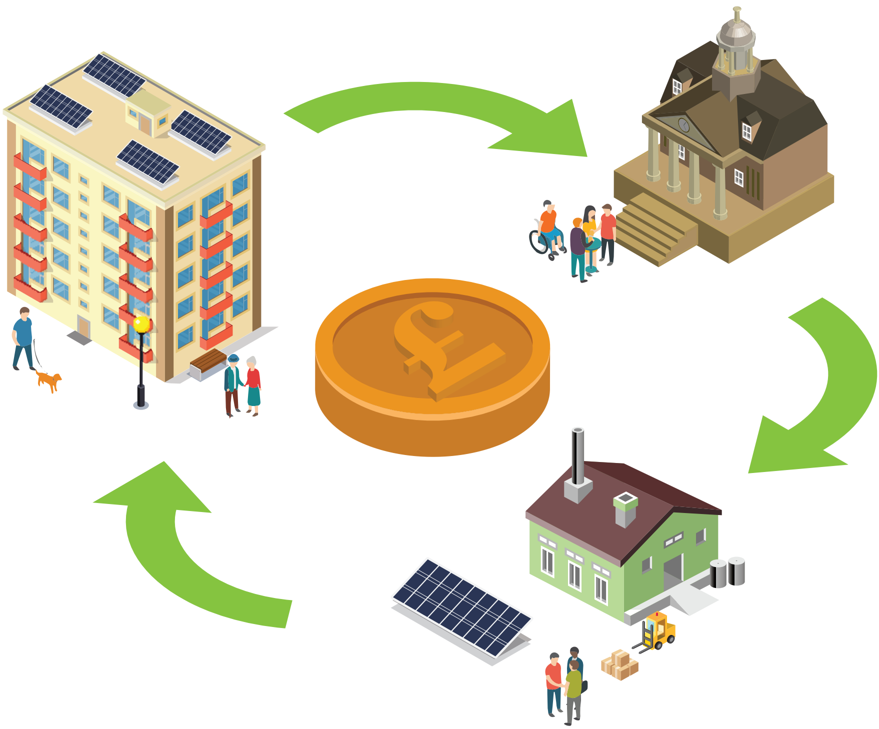
The region is home to over 70 large anchors, which collectively employ more than 200,000 people and control budgets of £11 billion. It was found that while anchors in Leeds spend billions of pounds on goods and services, nearly 50p in every £1 spent leaks out of the local economy.[1]

Their study worked closely with 12 anchors over a nine-month period to explore existing best practice in procurement, develop a baseline of current local impact, identify influenceable spend, and understand the organisational factors that contribute to high quality jobs.

1 https://www.jrf.org.uk/file/49854/download?token=hsuNtCDC&filetype=full-report

Step 3
Progressive procurement

By harnessing the power of the public pound, local authorities can keep money circulating locally and regenerate their region.



Public sector procurement offers huge opportunities to shape the economy, but there is a tendency for the same big firms to dominate the market as institutions seek bigger contracts and frameworks.

Many councils have begun considering the Social Value Act when making judgements on tenders for goods and services. This enables politicians and procurement officers to look at community benefit and value for money, rather than simply an assessment of cost.

However, while worthwhile, this intervention doesn't go far enough to truly maximise the potential of the public pound.

Money spent locally not only creates direct benefit for the successful businesses and their employees – the income is also more likely to continue to circulate locally, multiplying its impact.

Anchor institutions, working together and using the gap analysis of their spend, should embed strategies to increase their local spend and, where appropriate, to prioritise partnerships with co-operatives and businesses with a purpose or social outcome.

This must happen before procurement begins – at a political and strategic level – so that the expected community wealth outcomes are clearly defined early in the commissioning cycle.

Progressive Procurement
Practical steps to put this into practice

- Identify and measure influenceable spend – meaning any contracts that it is possible to procure differently. Using this evidence baseline, assess how much money currently leaks from the local economy.
- Support each anchor to revisit their commissioning and procurement strategies to seek to get greater benefit from their spend (for further detail, see figure 1).
- Map the local businesses, co-operatives and social enterprises and provide them with support to tender for work or subcontract into the supply chain of anchor institutions (for further detail, see figure 2). This should seek to understand existing capacity for local delivery of anchor contracts, where support is required to grow, and the gaps in the local market which could be filled by new worker co-operatives.
- Support new behaviours in the commissioning and procurement departments of the council and anchor institutions. Create practitioner forums and provide training on how the way that goods and services are procured can enhance local economies.

Progressive procurement in practice

Manchester

Manchester City Council, in partnership with CLES, have transformed their procurement to achieve over £65 million efficiency savings while increasing the proportion of total procurement spend with organisations in Greater Manchester from 51.5% in 2008-09 to 73.6% in 2015-16.[1] This has created over 5,000 new jobs.[2]

Islington

Islington Council used Regulation 77 (Public Contracts Regulations 2015) to reserve a contract to manage adventure playgrounds for a social enterprise, co-operative or not-for-profit enterprise. This meant that instead of procuring the service from a large profit-making business, they awarded the contract to an employee-owned and staff-led mutual, Awesome CIC.[3]

Hounslow

Hounslow Council's sustainable supply chain policy seeks to encourage supplier diversity by providing appropriate support to SMEs and social enterprises to help them become 'fit to compete' and to batch larger complex procurement exercises into bundles consistent with SME capacity.[4]

1 https://cles.org.uk/press-releases/manchesters-progressive-procurement-enables-growth-and-tackles-poverty/
2 http://www.manchester.gov.uk/download/meetings/id/19461/6_the_councils_procurement_from_small_and_medium_businesses
3 http://democracy.islington.gov.uk/documents/s8877/Contract%20award%20for%206%20Adventure%20playgrounds%201415-287.pdf
4 https://www.hounslow.gov.uk/downloads/file/551/sustainable_supply_chain_policy

FIGURE 1

Procurement and commissioning strategies to get more value from public and anchor institution spending.

- Anchors should become Living Wage employers, ensuring that it is a requirement in all appropriate contracts. They should also commit to the Fair Tax Mark in all contracts.

- All public-sector anchors should embrace the Social Value Act and set out an ambitious strategy for its implementation. Social Value obligations should be transparent and communicated early in the tendering process. Commitments must be written into contracts so that they are certain, measurable and enforceable.

- Anchors should expect all suppliers and their supply chains to work with the local authority and other relevant organisations like FE colleges and Jobcentres to promote meaningful local employment and offer training, apprenticeships and work experience to local residents.

  Joined-up working between commissioning, procurement and economic development teams can ensure suppliers fill vacancies locally.

- Anchors should commit to promoting local economic growth and to use local small and medium sized businesses, community sector, third sector, social enterprise and co-operatives as much as possible. Contracts above a certain value should require bidders to demonstrate how they will use the local supply chain, and all other suppliers should be encouraged to source locally where possible and to consider local businesses and co-operatives when sub-contracting.

- Larger procurements should be broken into smaller lots where possible, to enable and encourage local SME, third sector, co-operative and social enterprise participation. Where larger contracts are unavoidable, there should be a requirement on suppliers to obtain quotes from co-operatives, social, community and local SME enterprises.

- In some instances, Regulation 77 (Public Contracts Regulations 2015) can be used to reserve contracts for certain health, social and cultural services for organisations with a public service mission whose profits are reinvested in the service or distributed on participatory considerations, and which is employee owned or requires active participation of employees or service users.

  This means that the contracting authority can exclude for-profit businesses in favour of co-operatives and social enterprises. However, contracting authorities must take particular care not to open the backdoor to profit-making firms spinning off not-for-profit subsidiaries (see policy recommendations for further detail).

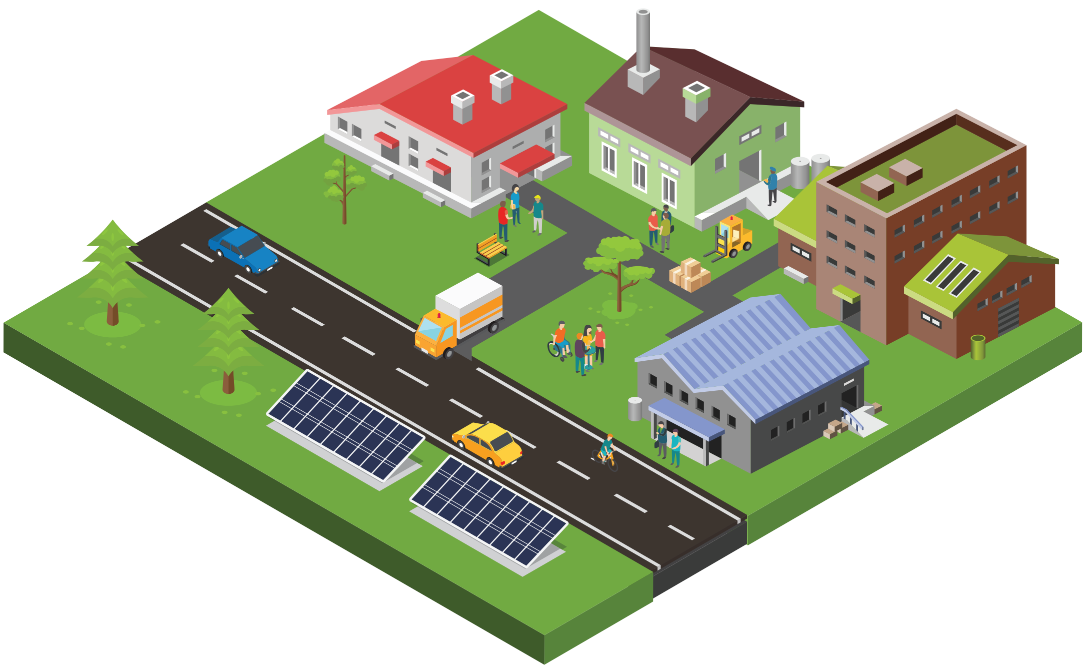
FIGURE 2

Support for local businesses, co-operatives and social enterprises to start up, grow and bid for anchor institution contracts.

- Pre-market engagement should provide training, advice, mentoring and meaningful feedback to support the sector to be 'fit to compete'.
- Play an active role in supporting co-operatives, social enterprises and local SMEs to form consortia where appropriate, if size or particular technical requirements of a tender prevent them from bidding separately.
- Establish a 'marketplace' (such as a portal) so that co-operatives, social enterprises and SMEs can easily see available opportunities, and anchors and larger businesses understand the local market and can more easily obtain quotes from them.
- Monitor direct and supplier spend with the sector, and KPIs like prompt payment and local employment – and use this data to assess where greater intervention is needed.
- Regularly convene co-operatives, social enterprises and local SMEs to listen to their feedback on barriers in the procurement process, and take appropriate steps to remedy them.

Step 4
Co-operative development

The local authority, working with anchor institutions, should play a significant role in developing new worker co-operatives to deliver goods and services to the anchor institutions.



Worker co-operatives are trading enterprises owned and run by the people who work in them, who have an equal say in how the business is run, and an equitable share in the wealth created.

In companies where employees have a real influence and an ownership stake, workers are happier, better remunerated and more productive. Supporting the development of local worker co-operatives, and procuring goods and services from them, means meaningful local jobs; profits reinvested or shared between employee-owners; and democratic decision-making.

Since most members are local residents, they are likely to make decisions in the interests of their community rather than shareholders, and a greater proportion of their income and dividends is likely to be spent locally.

The community wealth building model goes beyond simply supporting existing co-operatives. The council and other anchors should actively work with residents to set up new worker co-operatives to fulfil significant contracts such as providing laundry services for a hospital, maintenance and repairs services for social housing and university accommodation, or energy.

Co-operative Development
Practical steps to put this into practice

- Establish a 'co-operative commission' to explore options for expanding the co-operative sector – with senior political leadership to champion the sector and lobby central government for any legislative changes required to better enable development of the sector.

- Using the gap analysis of anchor institution supply chains, identify specific significant contracts suitable for worker co-operatives to start up and take on.

- Create a co-operative investment fund using patient capital from anchors, and use other financial mechanisms to attract investment, to invest in the start-up and scale-up of new worker co-operatives.

- Provide business advice and support tailored to co-operative business models, and act as a broker with anchor institutions to support them to bid for and win the tender. This could take the form of a co-operative development agency which would enable co-operatives to share costs and best practice, facilitate inter-co-operative trading, pool funding to buy services, and create consortia to tender for larger contracts.

Co-operative development in practice

Wales

The Wales Co-operative Centre is the largest co-operative development body in the UK. It delivers support to all kinds of co-operative and social enterprises across Wales and works in partnership with the Welsh Government.

They have also been successful in developing consortia to bid for public contracts – for example, with the support of the Wales Co-operative Centre, six social enterprises created a North Wales Textile Recycling Consortium to collectively bid for local authority recycling contracts.

Plymouth

Following the decision of the last government to hand budgets for school meals from councils to individual schools, Labour-led Plymouth City Council worked with schools to pool resources and create a new local authority trading co-operative company, CATERed.

49% owned by 67 schools and 51% owned by the Council, CATERed operates on the basis of one school, one vote. It enables schools to protect the service by pooling budgets, increase employment opportunities, and ensure local sourcing arrangements.[1]

1 http://www.educateringmagazine.co.uk/news/2015-06-04-school-meal-co-op

Step 5
Local investment

Investment to provide start-up capital and loans is needed to grow the local co-operative and social economy.

Key to the community wealth building model is the growth of existing co-operatives and the creation of new worker co-operatives, and support for them to take on significant contracts from local anchor institutions.

However, new ventures require start-up capital to enable them to get established, grow and compete. Given co-operative enterprises' unique structure, they are often excluded from conventional investment methods.

Traditionally, co-operatives are powered by member capital. However, this is limiting, both in terms of the capacity of the community in more deprived areas to contribute financially; and if the growth or scale of the co-operative outstrips the funding ability of its members.

This isn't to say that community share offers don't work in low income areas – Brixton Energy, for example, successfully raised the capital needed to install community-owned solar panels in some of London's most deprived neighbourhoods.

But in order for the development of new co-operative businesses in each region to work at scale, a new funding model must be developed.

While there are necessary changes needed in national regulations and legislation to better enable this, there are some practical steps that local authorities and anchor institutions can take in the meantime.

Local investment
Practical steps to put this into practice

- Patient capital is money that an investor is willing to use to make a long-term investment. While there would be an expectation of financial returns, the investment is made without an expectation of turning a quick profit. For example, this could mean pensions funds or long-term direct investment.

  Councils could use the patient capital from anchor institutions to set up a co-operative investment fund which can provide loans to or buy shares in new co-operative enterprises. (for further detail, see figure 3).

- Explore setting up a regional bank which can use local knowledge to lend to SMEs and co-operatives, enabling them to grow.

- Highlight existing national and regional financial support for co-operative and social enterprises (for further detail, see figure 4). The Council can build relationships with these organisations to learn best practice and engage them in working in partnership to achieve shared community wealth building outcomes.

Local investment in practice

Glasgow

Labour-led Glasgow City Council provided annual funding of £500,000 for co-operative development and helps with identifying opportunities. Investments could include initiatives which meet council outcomes or reduce the cost of other public services.[1]

Manchester

The Greater Manchester Pension Fund has led the way for local government pensions to invest in local economic growth, for example investing in a new development at First Street in Manchester to create new office space and local jobs, and a £50 million programme of lending and providing equity capital to SMEs in the North West of England.[2]

Hampshire Community Bank

A community interest group in Hampshire is developing a locally-owned and run bank modelled on German's network of public savings Sparkassen and co-operative banks. The bank will focus on providing credit to SMEs in the local area.

1 http://policytransfer.metropolis.org/system/images/1888/original/2016AwardsCitiesinactionGlasgow.pdf
2 http://www.gmpf.org.uk/documents/annualreport/2016.pdf p.5

FIGURE 3

Models for investment in co-operative start-up and growth

A co-operative development agency

The council can set up a loan- and grant-making body to provide financial support for co-operatives to start-up and grow using its own funds.

A local or regional impact investment vehicle

The council can create an investment vehicle which pools ready opportunities which are appropriate for the long-term patient investor. As well as contributing their own patient capital, the council can market opportunities to their partnered anchor institutions and more widely. Organisations interested in impact investing could include development finance institutions, private wealth managers, commercial banks, pension funds, investment funds, other co-operatives, private companies, and community development finance institutions (CDFIs).

Co-invest with an existing fund

If the council lacks the expertise to assess investments and conduct full due diligence, patient capital from the local authority and anchors can be pooled and managed in partnership with an existing organisation such as a CDFI.

Social Impact Bonds

Social Impact Bonds are a 'Payment by Results' tool where upfront finance is raised from commercial investors, foundations or patient capital from public organisations. A social, third sector or co-operative enterprise would undertake a programme to achieve a set of pre-defined outcomes, and the government, local authority or other public body makes payments back to investors, reflective of savings and risk, on successful outcomes achieved.

For example, a youth offending service could issue a bond for preventing recidivism. A local organisation could be commissioned to deliver this social outcome, resulting in financial savings for the service in the future. The local organisation would receive the funding upfront, enabling them to scale up and achieve impact, and investors would be repaid based on the reduction in demand for the youth offending service and better outcomes for young people.

FIGURE 4

Examples of existing funding and business support for co-operatives and social enterprises

The Hive

A business support programme from Co-operatives UK and the Co-operative Bank, for people wanting to start or grow co-operative and community enterprises.
uk.coop/the-hive

Wales Co-operative Centre

Expert advice and funding opportunities for co-operative and social businesses in Wales.
wales.coop

The Co-operative Loan Fund

A unique co-operative to co-operative lending programme, providing affordable loans between £10,000 and £85,000.
co-operativeloanfund.coop

Co-operative and Community Finance

Co-operative and Community Finance has over £4 million capital to lend to the co-operative and social sector, and works with partners to co-invest or manage lending on the investor's behalf.
coopfinance.coop

Step 6

Assets and services working for the community

Creating a stronger local economy must also focus on tackling unfair practices – from housing and energy to financial services – so that everyone benefits from the community wealth building approach.

A resilient local economy is not simply about jobs, it's about ensuring that people can afford the everyday things they need, from housing to energy, and that communities are resilient enough to take advantage of the new opportunities presented by community wealth building.

Local economies also rely on consumers spending money with local businesses – this is a key driver of healthy, thriving high streets and local jobs. When prices for basic goods rise faster than incomes and household incomes are squeezed, local economies also suffer.

To complete the virtuous circle of community wealth building, local assets and services should be owned by, and delivered in the interests of, the community. This could mean community, co-operative or municipal ownership – a combination of these models can ensure that the goods and services they provide are affordable and that profits are reinvested in the service or distributed locally as dividends.

Examples of local services and assets

- Tackling financial exclusion by supporting credit unions to develop. For example, anchor institutions could enable credit union payroll deduction and councils could work in partnership with credit unions to offer a credit union account for every child, as pioneered by innovative Labour councils like Haringey and Glasgow;
- Ensuring energy is affordable and sustainable by supporting the development of community owned energy co-operatives, and exploring a municipal energy supplier to cut household bills;
- Supporting community land trusts and co-operative housing so that residents can develop their own secure, affordable housing;
- Taking on exploitative rent-to-own companies by supporting Fair for You (www.fairforyou.co.uk) ;
- Promoting not-for-profit bus operators which are able to take on critical community routes;
- Supporting communities to take on redundant land and buildings, or services like the Post Office or local shop and pub if they are at risk of being shut down. Communities can transform them from potential liabilities into assets for social good.

Assets and services working for the community in practice

Edinburgh

Castle Community Bank is a new bank formed from the merger of three credit unions which provides individuals with affordable savings and loans products, and which puts any surplus funds into funding community projects around Edinburgh.

Nottingham

Robin Hood Energy is the UK's first local authority owned energy supplier since nationalisation in 1948. Since being launched by the council in 2015, it has become one of the cheapest suppliers in the East Midlands. Profits, instead of paying shareholders, are reinvested in keeping tariffs low and tackling fuel poverty. While, given the nature of the energy sector, Robin Hood Energy cannot guarantee to always offer the lowest tariff on the market, it actively contacts customers to help them move to cheaper tariffs.

Leeds

Leeds City Council have supported community-led housing as a way to develop affordable, sustainable homes. For example, the council supported LILAC to build 20 affordable homes using a mutual home ownership model.

The council provides support in a variety of ways, from selling land with exclusivity agreements; transferring empty homes on long leases to organisations like Canopy who work with people who are homeless; offering practical assistance on legal and other acquisition issues; and offering affordable loans to turn plans into reality.

Changes to national policy to campaign for

Procurement

The changes to procurement rules that may arise as a result of Brexit provide significant opportunities to rewrite the rules of the system to better reflect public and community value in spending. New procurement rules should acknowledge the benefits of co-operative and social enterprise procurement.

Social Value Act

The Social Value Act must be strengthened and enhanced to give local authorities and public-sector institutions greater scope to procure for social and long-term value rather than simply on a short-term assessment of cost. This should include:

- Giving public commissioners a duty to 'account for' rather than just 'consider' social value, with measurable targets and clear steps outlined if these are missed;
- Public bodies should be required to publish social value priorities and how they weight contracts;
- Extending the scope of the Act to include contracts of a lower value.

Regulation 77 (Public Contracts Regulations 2015)

There needs to be strong and clear guidance on the types of co-operative, mutual and social enterprise models covered to ensure that they deliver the social value intended and do not allow for privatisations via the back door.

Localism

While the Localism Act has created important powers for communities, the Act needs to be strengthened, as the regulation and timetables can still result in barriers for communities. In particular:

- Strengthening the legislation to change the balance of power between communities and developers, by extending the protected period within which communities can mobilise to nine months, with a further extension where the asset owner refuses to speak to interested groups;
- 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'.

Access to investment

Regulation and law should be changed to ensure co-operatives are better able to access investment.

Community Share Offers

Many co-operative projects rely on community share offers. Currently, individual investment limits mean there is a ceiling on the amount that can be invested in a co-operative project.

Patient capital and pension funds

Long-term institutional investors have enormous potential to act as providers of 'patient capital'. A more accountable system must be created to give more opportunities for greater scrutiny and participation by savers.

Mutual guarantee societies

Mutual Guarantee Societies (MGS) enable SMEs to work together to bridge the gap between the SME sector and financial institutions, improving access to finance. The appropriate regulatory guidance is needed to allow MGS to form.

British Investment Bank

A new investment bank should be created along mutual lines, to support the expansion of the co-operative, mutual and social enterprise sector through the provision of patient capital.

Enterprise Investment Scheme

Changes to the Enterprise and Seed Enterprise Investment Schemes should be made to ensure that asset locked mutuals have access to funding. Currently, small asset-locked mutuals are unable to benefit from the EIS 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.

Tax exemption

As businesses solely concerned with social outcomes, the government should exempt community benefit societies from paying corporation tax and business and non-domestic rates.

Regional banking

The government should work with city and local authorities to establish a network of regional mutual banks tasked with lending to co-operatives, social enterprises and small and medium sized businesses in their regions.

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