co-operative party

A PLAN FOR A PLACE-BASED ECONOMY

OWNING THE FUTURE

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INTRODUCTION

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Theories of regional and local regeneration have become a broken record, each time a race to the bottom as regions compete to attract big business, each time vulnerable to the whims of Whitehall or the unforgiving global marketplace, and each time failing to rebalance the economy so that every region experiences sustained, equitable growth. This top down model has proven time and again that it doesn't work – the UK remains one of the most unequal countries in Europe, with wealth and power concentrated within the M25.

This inequality has had adverse effects on the economy of the UK beyond London and the South East of England. While many areas remain highly productive, from Media City in Salford to healthcare innovation in Leeds and software and technology hubs in Sunderland, in other places economic traditions have been lost, populations have declined, and a shift to low-skilled service jobs has stalled social mobility.

The scars of deindustrialisation remain all too visible in these local economies. And while many areas have moved past its worst excesses, they remain economies indifferent to people and place. Britain's manufacturing heritage has been replaced by call centres and warehouses where jobs are too often secure only until the service is cheaper to provide elsewhere.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. Adding to the toxic mix, central government austerity policies leave councils struggling to provide basic services and communities vulnerable to shocks.

This year, that shock came in the form of Covid-19. This crisis both thrives on inequality and deepens it, in a self-reinforcing cycle that risk having consequences for years and decades to come. This is the case on a hyperlocal level – even in the wealthiest postcodes in the country, low income families are more likely to catch and die from the disease because their jobs are more likely to put them at risk, because they are more likely to live in cramped accommodation, because of pre-existing structural and health inequalities.

But it is also true on a macro level – those regions with weaker economies, fewer or poorer quality jobs, bearing the brunt of austerity or with ageing populations and skills shortages have been hardest hit by coronavirus, and will be hit deeper and harder by its economic impact.

Relocating decision-making and economic regeneration closer to those affected has been a principle long championed by co-operators. Services, businesses and economies function best when the communities in which they operate and the users, consumers and workers who rely on them have a say and a stake in how they are run.

Brexit, deindustrialisation and new technologies had made this an urgent task even before this crisis. Covid-19 has amplified this urgency but also in many ways has left us better equipped for this mission. Staying at home has brought with it a renewed appreciation for the local, with people through necessity staying closer to home, relying on their local shops for essentials, getting to know their neighbours and seeking out their local pockets of green space.

Polling shows that only 9% want to return to life as normal after the end of lockdown, with 40% saying they have felt a stronger sense of community.[i] Eight out of ten people say their high street is vital to their community and a third have vowed to change their shopping habits to support local shops as restrictions ease.[ii]

What is also clear from this crisis is that no one size fits all. Every sector and every region has had a different experience of coronavirus with huge variation in impact, resilience and aspiration. For

example, up to half of Londoners could shift to working from home, while in Barnsley, Burnley and Stoke fewer than 20% of all workers can do the same. [iii] Regional differences in manufacturing heritage and skills mean sectoral downturns do not have geographically universal impact either. Areas reliant on jobs and industry in transportation, transport manufacturing, construction and tourism are likely to be the most affected – with estimates of a drop in output of more than 17% in those regions this year.[iv]

Many traditional regional growth strategies seek to rebalance the economy by picking high value highly skilled sectors to fuel local growth and job creation. While these are important jobs and industries to nurture, it's a very top down way to generate growth, and its effects are not always felt by the majority of households. It also fails to truly rebalance the economy to lift up the left behind towns and cities – it risks achieving little more than a regeneration of the M11 corridor and the Thames Valley, to the exclusion of places like South Wales or the North West.

There must be sector specific co-operative solutions, with investment in co-operative development targeted in the industries in greatest need or where the greatest opportunities lie, like green manufacturing. As well as this, co-operative development support can also be targeted to those regions which have been hardest hit. Co-operative growth is far fairer and more resilient, and local co-operative and community ownership anchor jobs to those regions in the long term.

Local economies also rely on a bedrock of goods and services that everyone consumes, from hairdressing to healthcare. This everyday economy has borne witness to the race to the bottom that has seen many households face increasingly insecure work with stagnant wages and poorer working conditions. These are businesses which have been forced to close for many weeks on every high street, and who will struggle to grow back. Supporting communities to take ownership of their high streets and town centres to help local SMEs as they reopen, and fill in the gaps where they don't, needs to be a feature of our plan for a place-based economy too.

REBALANCING THE CONOMY

When power is passed simply from Whitehall to county and city halls without a real community stake in new settlements, there is a missed opportunity. Rebalancing the economy means shifting power away from Whitehall, but also about going beyond town halls and placing power directly in the hands of people and communities.

Tackling regional inequalities

The UK is a deeply divided country, with great variation in investment in local economies, infrastructure and transport between regions. Public expenditure does not match the rhetoric of levelling up or the Northern Powerhouse, with public spending skewed to London and the South East. Local decision-making has been reduced to bidding for pothole funding from a contested national pot, rather than regions, sub-regions and cities able to access proper funding to deliver bottom-up transformational projects which reflect local priorities and wants.

With local government facing a £10 billion funding gap black hole[v] this rebalancing should begin with an end to austerity and genuinely needs based funding that enables local councils to tackle inequality, kick start their local economy and deliver well-funded good quality public services. This should be accompanied by a reform of council tax so that it is replaced by a local, progressive, income-based tax to raise local revenues.

Beyond local government funding, there must be bolder investment in sustainable infrastructure, social infrastructure and green transport projects of all size. These should be projects and priorities that have been shaped by local communities who will use and benefit from them, as well as which will create good quality local jobs. They should include green projects which will contribute to meeting our climate emergency, and ensuring that it is equitable and productive, like housing, childcare and health.

Growing the local co-operative economy

Co-operative growth is key to a more equal, resilient economy, and co-operative and community ownership ensures jobs are anchored in a place and secured into the future. There should be regional co-operative development agencies, working in partnership with practitioners on the ground, providing funding for local start-ups and co-operatives looking to expand, supporting businesses to transition into co-operative ownership and opening up opportunities for co-operative and social enterprises.

Funding and advice should be available to ensure local government officers understand co operatives and are able to support local co-operative development. New regional co-operative development agencies should be able to work closely with public bodies to develop co-operatives at a scale which can take on public contracts, or support smaller co-operatives to work together to jointly bid for contracts. Funding should focus on communities hardest hit buy Covid-19 and its economic effects, ensuring good quality co-operative jobs are

generated in places they are needed most.

Local authorities and anchor institutions play an important role in place-making and economic growth – not purely through their policies but also in their behaviour as employers and in the way they procure goods and services. Local authorities can use the tools in community wealth building and the power of the public purse to grow the local co-operative economy too.

A good way to develop local co-operative growth plans is for local authorities, city regions and wider regions to lead a co-operative commission, as has happened in Greater Manchester for example, or a panel, like in South Yorkshire, which can work with local practitioners, the movement, communities and stakeholders to develop a locally relevant set of policy recommendations.

Patient capital

40% of the UK's wealth is held in private pension funds – this is unevenly distributed and adds to overall wealth inequality. Higher rates pension contribution relief should be restricted and tax relief currently available to pension funds should be made dependent on meeting social outcomes in investments, with a focus on employment creation, local economic growth and green infrastructure investment. The Manchester Pension Fund already leads the way in this area, investing in infrastructure and housing in the greater Manchester region.

This patient capital could be an important source of funding for regional economic growth post-Covid, ensuring that pensioners benefit from the productive parts of the economy and ensuring too that communities benefit from the jobs and growth it creates.

Citizen voice

Those who provide, receive and rely on services are best placed to know how to ensure they are run cost effectively and to a high quality. That means care recipients, their families, care workers and the wider community having a role in decision-making and social care service delivery. It means passengers and employees involved in the governance and decision-making on local transport, and housing tenants involved in policies and decisions to do with their housing estates.

The UK urgently needs to rebalance its economy. This cannot be achieved from the top down – every region needs to lead the economic regeneration and growth itself. This means meaningful decentralisation and a degree of fiscal devolution, with decision-making going beyond the town hall to the communities affected.

In order to unlock the growth potential of every community, more support should be given to Combined Authorities, Economic Prosperity Boards and Local Enterprise Partnerships (LEPs), to facilitate the devolution of further significant powers over the Work Programme, adult skills and infrastructure.

HIGH STREETS

In many areas, the high street is the beating heart of the local economy – for shopping and accessing services, a sense of pride of place, a centre of employment in retail and service industries. In many towns and cities, the high street was in decline long before Covid-19. Nowhere has been immune to the difficulties faced by the retail sector, and towns and cities alike are losing many of the stalwarts of their town centres.

But now more than ever, local high streets need support to reopen – the extended closure has already put them on the backfoot compared with large online retailers and while an easing of lockdown brings relief to many, reopening alone won't ensure their full recovery.

Many businesses will have to take measure which reduce their income dramatically, from socially distanced tables in cafes to limited numbers of hairdressing clients each day. Those which took out business interruption loans are faced with pending repayments and others had to continue paying rent on commercial premises they couldn't use, or will find future rent payments too high to turn a profit. Reduced consumer income, as the economic toll is felt in households across the country, and reduced consumer confidence in the safety of being out and about as often as they used to be, will hit bottom lines hard too.

Community urban buy-out

Many high street buildings are owned by absent landlords, without any vested interest in their town centre. It's time to support communities to own the bricks and mortar of their town centres, giving them a say and a stake in their success and enabling people to come together to shape the place they call home. With the looming prospect of many more empty shops after this crisis than we had before, this is doubly urgent – where landlords do not have plans to reopen, those shops should be brought back to life as socially valuable businesses, replacing locked shutters with affordable premises for local SMEs, community projects, co-operatives and social enterprises.

There is a window of opportunity now, as this crisis hits property values but sky-high rents continue to put businesses off, for strengthened community buy-out legislation to help people take over empty properties. This is already happening in some communities – in Dumfries for example, the community came together to start a Community Benefit Company which has been raising funds to take over shuttered shops in their own town and bring them back to use.[vi]

This means strengthening the Localism Act so that communities have meaningful powers, enough time to mobilise to exercise them, and sufficient support and funding to be able to actually purchase assets. The period for communities to mobilise should be extended – it is difficult to organise from a social distance and asset owners can sometimes be unwilling to engage. Community Interest Groups that have successfully listed assets should have a 'first right of refusal' to purchase the asset, making the right a real 'right to buy' not simply a 'right to bid'. Properties that remain unused or neglected could be forced back onto the market through a UK version of the Scottish Right to Buy laws, giving community groups and councils greater opportunities to buy them.

The window of opportunity for communities to build on the new spirit of co-operation and to avoid terminal decline of their town centres and local jobs is getting narrower – so this community urban buy-out needs help to accelerate. There should be a Community Urban Buy-out Fund which provides easily accessible grant funding, advice and, in the most deprived areas, community share match funding. And there should be greater transparency and accountability of existing ownership of assets to make a community buy-out easier – including the Land Registry opening up its dataset for free on who owns high street and commercial property and land in the UK.

Business rates

Around £30 billion has been spent through this crisis on cancelling business rates bills and providing cash grants for some firms. While this has

been a welcome relief for local businesses, there is also a looming cliff edge of business rates being reintroduced.

While coronavirus may have killed off high streets quickly, its effect will hopefully, and with the right interventions, be temporary. But business rates have caused a longer, slower and more terminal decline. Business rates tax economic activity, creating a perverse disincentive to doing business, and because they are only paid by bricks-and-mortar businesses, high street stores and cafes pay a disproportionate share of corporate taxes based on their profits compared to the large multinationals.

Coronavirus should not simply be a business rates holiday: it should be the start of the end of business rates altogether. Business rates should be scrapped entirely in favour of a more progressive, much fairer form of business taxation.

Access to cash

Cash machines around the UK are closing at a rate of 300 a month, and there are over 3,000 communities in Britain that no longer have a single bank branch, especially in smaller towns.[vii] These are vital not just for consumers, particularly those who can't or don't want to bank online, but also for SMEs who rely on local branches to manage their business banking.

During lockdown, ATM volumes have dropped by 55%.[viii] But although Covid-19 has accelerated a shift to contactless payments and online banking, the need for cash has not gone away and the reduction in face-to-face banking through this crisis has further financially excluded many consumers. They are also disadvantaged by many shops switching to a card-only payments policy, which reduces choice for customers who only use cash for transactions or makes them travel further. At the other end of the spectrum, many SMEs cannot afford the infrastructure to enable card and contactless payments – making it harder for them to adapt to the new socially distant expectations of those customers who do prefer to make contactless payments.

For the 2.1 million people who still mainly use cash, many of whom don't have access to bank accounts, the use of cash must be maintained as long as it is needed. To ensure branches are not replaced by phone and internet banking only, new Access to Banking Standard should be introduced to protect the continued existence of the "last bank in town", supervised by the Financial Conduct Authority and penalised when banks fail to uphold that standard, with the funds from any fines spent on financial inclusion and development of credit unions. A review of ATM charges should take place, with a view to reforming them or abolishing charges altogether.

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ENDNOTES

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