



Developing the Cooperative Economy

Meeting for Leaders and Co-operative Leads

1430 - 1600 hours, Thursday 31 March 2022 - Zoom

MINUTES

Members

Councillor Sharon Taylor OBE – Leader, Stevenage Borough Council (Chair)

Councillor Joyce McCarty – Cabinet Member for Inclusive Economy, Newcastle City Council and Chair of V&P Board

Councillor Matthew Brown – Leader, Preston City Council

Councillor Susan Smith - Cabinet Member for Communities and Co-operation, Rochdale MBC

Councillor Joyce Welsh – South Tyneside Council

Councillor Swithin Long – Cabinet Member for Economic Regeneration, Tourism and Housing, Torbay Council

Councillor Richard Beacham - Cabinet Member for Inclusive Growth, Economy & Regeneration, Cheshire West and Chester Council

Guests

Suhan Rajkumar - Bates Wells LLP

Mark Cook - Anthony Collins Solicitors

Julian Blake - Stone King LLP (from 3.30 pm)

In Attendance

Nicola Huckerby – Operations and Communications Lead, CCIN (Minutes)

David Brunskill - Transformation Officer representing Cllr Foster, South Ribble District Council

Apologies

Councillor John Cotton - Cabinet Member Social Inclusion, Community Safety & Equalities, Birmingham

Councillor Louise Gittins – Leader, Cheshire West and Chester Council

Councillor Shabir Pandor – Kirklees Council

Councillor Paul Stewart – Cabinet Secretary, Sunderland City Council

Councillor Peter Bradbury – Cardiff Council

Councillor Keith Cunliffe – Deputy Leader and Lead for Community Wealth Building – Wigan Council

Councillor Paul Foster - Leader, South Ribble Council

1. **Welcome and introduction to the session** – Cllr Sharon Taylor, Chair
Cllr Taylor welcomed everyone, and each introduced themselves.
2. **Matters Arising from the last meeting 13 October 2021**

2.1. **CCIN Study Visit to Mondragon**

NH reported that a proposal had been drafted, and a bid would be submitted, for CCIN funding for a delegation to visit Mondragon. The outcome of the Bid would be reported at the next meeting.

3. **Report back on Regional Community Banking session at CCIN Annual Conference**

3.1. Cllr Matthew Brown explained that as Cooperative Councils, we would all want to encourage more coops in our areas. A key enabler of this was the formation of Regional Community Banks, which were far more common in Europe. At the Conference, we heard that the Welsh Model was the most advanced, where the Monmouthshire Building Society would become a cooperative bank, planning to open its first branch in 2023. Around 30/40% of the UK had been looking at the formation of a regional community bank, other projects included:

- Avon Mutual - which had begun the Challenger Stage and applied for a Banking License
- Southwest Mutual - progressing in the Devon and Cornwall area and several councils had already invested in it
- Northwest Mutual - has registered as a cooperative, looking at NW footprint of around 5 million
- Northern Ireland, North of Tyne and Ayrshire, are also looking at this.

3.2. Cllr Brown suggested that Cooperative Councils should all be looking at how they can invest in these new Regional Banks as part of their Investment Strategies. The cost for getting a banking license was c£20m, with the initial license costing around £3m. He explained that this proposal would need S151 approval and a clear agreement that there would be a long-term return on those investments.

3.3. The need for this was driven by the fact that in the poorest communities, businesses cannot get investments from the larger banks, and individuals cannot secure loans; they then turn to Pay Day Lenders. While Credit Unions do lend to individuals they do not, in the main, lend to businesses. Cllr Brown noted that of the proposals he had seen, these new regional banks would aim to protect existing CUs, which were playing a pivotal role in the cost-of-living crisis. The idea of developing regional community banks is to **grow the democratic financial sector**, which comprised building societies, credit unions and CDFIs ([Community Development Financial Institutions](#)). There could also be a case to reform CU Law so that they could expand a lot more.

3.4. It was agreed:

- Cooperative Councils be encouraged to invest in Regional Community Banks and support Credit Unions. For CUs this might include grants and using Covid funds.
- That "Supporting the creation of a regional mutual/community bank by investing" was included in the 'Being a Cooperative Council' document.
Action: NH
- one way of driving this approach forward was to encourage front bench MPs to be ambassadors for Regional Community Banks.
Action: ST and NH to discuss whom to approach in the Labour Party.
Action: Cllr Swithin Long to discuss with Lib Dem colleagues.
- the CCIN should promote the idea of supporting the regional banks at the LGA conference
- Cllr Taylor would speak to the East of England LGA Group about supporting the idea
Action: Cllrs Taylor, Brown and NH to meet to discuss what a CCIN commitment to developing Regional Community Banks might look like. We would then take this to the CCIN Governance with a view to rolling it out at the LGA Conference in June.

4. **Council updates since last meeting**

Preston City Council - Cllr Matthew Brown

4.1. They've turned a Travellers site into a housing coop which they are leasing to the travelling community. This launches on 1 April.

- 4.2. They are keen to scale up the 5/6 worker coops.
- 4.3. Trying to link public procurement to co-op businesses with reserve contracts to try and get former prisoners and others into incubated coop businesses to supply services to anchor institutions.
- 4.4. Making progress on the regional cooperative bank.
- 4.5. Looking at establishing a Community Land Trust and have a local church which is seeking to sell some of its land to build affordable housing.
- 4.6. With a view to moving to a more European style economy they are keen to look at sectors where there are lots of people working within them eg construction and social care. However, there are sufficient coops working in these sectors to make a difference. They have connected with the Danish Worker coop movement, which is backed by TUs, and are hoping to work with one of the construction coops to help create a construction coop in Preston to work on their cinema project. The most important next step is to scale up these projects and ideas across the UK.

Elsewhere - Cllr Matthew Brown

- 4.7. North Ayrshire - have committed four businesses to employee ownership.
- 4.8. Greater Manchester - A Community Wealth Building Hub has been launched.
- 4.9. Sheffield City Region - Ownership Hub.
- 4.10. Reported that the major trade unions are supportive of Community Wealth Building now. The Communications Workers Union are looking at how they can put post offices into worker ownership, which could form part of the regional community banking conversations.
Action: Cllrs Taylor, Brown and NH to meet to discuss what a CCIN commitment to supporting this campaign might look like.

Rochdale - Cllr Sue Smith

- 4.11. The Council is looking at how it can support existing cooperatives and how its actions can support the community wealth building agenda eg community led homes.
- 4.12. An energy coop has been formed in Middleton.
- 4.13. They have organised a 'Cooperative Awareness Day' in June.
Action: SS to invite members of the group to attend this event.
- 4.14. They have secured £4.2m Arts Council funding to raise the profile of cooperatives via culture and heritage which will include training and volunteer opportunities. The project starts in summer 2023.

Stevenage/Hertfordshire - Cllr Sharon Taylor

- 4.15. Exploring Participatory budgeting this year.
- 4.16. Cooperative Neighbourhoods Programme: [recent video of Grass Roots project](#)
- 4.17. They are submitting a social value statement alongside their Report and Accounts this year.
- 4.18. Secured almost £800k from the Community Renewal Fund to do some work on CWB which has been backed by the Hertfordshire Growth Board and is focussing on areas of the county that need it most. The money was secured in February and needs to be spent by June 2022. The major projects are:
 - Getting 500 people who are out of work into training and employment opportunities
 - Delegated grant scheme to assist 50 SMEs particularly micro businesses and social enterprises to innovate and create new growth opportunities
 - Accelerating work across the county around procurement and strategic planning that provide further economic investment.
- 4.19. Their 'Stevenage Works' programme is a fundamental part of their £1bn town centre regen project which means that all key players commit to the programme to develop skills for young people including training, apprenticeships, and jobs.

Newcastle/North of Tyne - Cllr Joyce McCarty

- 4.20. A group of teachers are seeking to create a Supply Teaching cooperative across the North of Tyne.

- 4.21. They've been working on the creation of a retirement village cooperative and it's looking like the funding and land deals are now all in place.

Torbay - Cllr Swithin Long

- 4.22. They've changed the council's procurement policies to include a social value element.
4.23. There is now a Devon portal of small businesses from which local councils/NHS/DWP/College can procure goods and services, and there must be one small business invited to quote.
4.24. They've established a Social Enterprise Forum to support the formation of social enterprises.
4.25. They've established a housing company and they their first tenants.
4.26. All construction projects must include employment and skills plans.
4.27. They are helping to develop a social care coop.

Cheshire West and Chester - Cllr Richard Beacham

- 4.28. They have recently published their Inclusive Economy Prospectus. The Action Plan is linked to their Climate Emergency response.
4.29. Co-produced a Poverty Truth Advisory Board which vets all their policies before they are approved.
4.30. Several regeneration schemes are underway which have important social value elements in the contracts, particularly around skills.
4.31. Been working on a Community Asset Transfer policy.
4.32. Developing an Employment Charter on a regional basis.
4.33. They are trying to support local cooperatives like Chester Community Energy who've put solar panels on all council buildings.

5. Co-operatives UK (CUK) Co-operative Development Programme

- 5.1. **Action:** Deferred until next meeting. Cllr Taylor explained that she was very keen to develop the co-operative offer in Stevenage and to train up the team at their Business & Incubation Centre.
5.2. NH reported back on a conversation with John Forbes at CUK and the work being done in South Yorkshire/Sheffield to actively promote the coop economy on the ground.

6. Overcoming procurement challenges faced by councils

- 6.1. Suhan Rajkumar began by giving an overview of the three main challenges in procurement and subsidy control legislation and focusing on how to get around those challenges:
- i. Subsidy Control Regime (was the EU State Aid regime) which prohibits grants of public money to economic undertakings. Post-Brexit, there is no requirement for prior approval, but there is a presumption that subsidies can be granted if they comply with six 'subsidy control principles':
 - ⇒ *Subsidy pursues specific public policy objective, identified market failure or addresses an equity rationale (e.g. research and development)*
 - ⇒ *Subsidy is proportionate and limited to what is necessary*
 - ⇒ *Subsidy is designed to bring about change in economic behaviour of recipient (i.e. incentive effect)*
 - ⇒ *Subsidy does not cover costs recipient would have funded in any event (i.e. work on the funded project should not already have started)*
 - ⇒ *Subsidy is an appropriate policy instrument, and the policy objective cannot be achieved through less distortive measures*
 - ⇒ *The positive contribution of the subsidy outweighs any negative effects, especially negative effects on trade or investment*
 - ii. Public contracts regulations which require open or some form of competitive procurement, although there are some exceptions like awarding contracts to disadvantaged groups eg ex-offenders, disabled workers, recently unemployed where these groups make up 30% of the workforce.

- iii. The challenge is finding new cooperatives that can take on council contracts/projects. SR felt that there is flexibility in the Subsidy Control Regime that where councils do have funding, there is an opportunity to help build (fund) those organisations, running training programmes locally, engaging with the community to disseminate that knowledge to help them work with community groups and become organisations that fit within the legal framework.
- 6.2. MB asked for ideas on how councils might overcome some of the barriers in contracting with coops which were non-existent - referred to as a cultural issue - *it is for this reason they are looking at partnering with a construction coop in Denmark with a view to developing a base in Preston (see 4.6)*. There is also the challenge of contracting with incubator coops when they did not have established track records.
 - 6.3. SR responded that he thought that there was a **cultural shift** as businesses looked to employee ownership models and community land trusts and community asset transfers. And, as councils sought to engage with cooperatives this would also promote the business model. In terms of contracting with new and emerging coops, they may not 'score' as highly as more established organisations in the procurement process, therefore it is important to build in and prioritise **social value** into the scoring.
 - 6.4. Mark Cook explained that it is for the council to determine the 'financial threshold' and the 'scope of the contract' - these are not imposed by the rules. Not all procurement departments will be risk-averse and therefore will naturally set higher thresholds.
 - 6.5. Julian Blake felt that councils needed to have the **courage** to do things differently. Procurement rules are not designed to stop good ideas, there are legal avenues, you just must find the pathway.
 - 6.6. MC wanted to explore with the group, something that they were looking at in terms of broadband fibre. The idea is one of the councils working with providers of broadband as part of a co-operative which is not contract-based and therefore not governed by procurement rules.
 - 6.7. JB stated that procurement rules were based around competition law but that working with cooperatives was about a collaborative relationship seeking to deliver the best outcome for all parties. The rules do allow you to construct collaborative arrangements, but they are not as obvious as they should be.
 - 6.8. JB gave an example of a route being used in Wales - **Pre-commercial procurement**, supports research and development into new and unforeseen ways of operating and can lead to better public service delivery at a lower cost - this could be coops.
 - 6.9. There is new legislation that is being developed Post-Brexit:
 - New UK procurement law is saying we are embracing flexibility
 - New UK subsidy control law is saying we are embracing reasonable discretion
 JB argued that what we need is to encourage clear practical guidance about what is possible within the new rules.
 - 6.10. The Public Value concept is one used by Mariana Mazzucato who is Professor in the Economics of Innovation and Public Value at University College London where she is the founding director of the UCL Institute for Innovation and Public Purpose. Her work challenges orthodox thinking about the role of the state and the private sector in driving innovation; how economic value is created, measured and shared; and how market-shaping policy can be designed in a '**mission-oriented way**' to solve the grand challenges facing humanity eg climate change, dealing with the social care crisis etc.
 - 6.11. **Action:** SR agreed to do a note on Subsidy Control that could be shared across the Network with a view to encouraging a cultural shift in procurement. MC observation: Many councils still treat Subsidy Control as if it were State Aid and are being risk averse.
 - 6.12. **Action:** MC offered to deliver a Workshop of practical examples where members can learn about what is being done elsewhere.
 - 6.13. **Agreed:** all legal firms would be happy to work together to support the Network in defining some clear pathways to encourage new ways of working to embrace social value as the core to more collaborative relationships with suppliers.
 - 6.14. **Agreed:** to have this on the agenda again at the next meeting.

7. **Date of next meeting: early July**

Discussion with Rose Marley, Cooperatives UK on their cooperative development programme and how CUK can support local authorities to grow the coop economy.

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4.05.22 - NH