

# LEADING THE WAY

LABOUR LOCAL GOVERNMENT'S RESPONSE  
TO THE CREDIT CRUNCH

Edited by Nathan Yeowell and Dennis Bates



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John Healey, David Sparks, Cath Speight,  
Michael Stephenson

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## FOREWORD

# LABOUR LOCAL GOVERNMENT LEADING THE WAY

Sir Jeremy Beecham

This is the second in a series of books and pamphlets published by the LGA Labour Group under the banner of 'Labour local government leading the way.'

The aim of this series will be to show the depth and breadth of thinking amongst Labour councillors – and, where possible, to provide practical examples of good policies being pursued by Labour councils that enshrine our shared principles of greater equality and social justice.

I am proud that we have managed to produce this pamphlet, as I think it provides an important contribution to the ongoing economic and political debates sparked by the economic downturn. I agree with David Sparks and Nathan Yeowell that Labour local government truly is leading the way when it comes to local responses to the credit crunch. The examples from Labour councils show that we are prepared to do whatever it takes to protect our communities when the going gets tough.

I am also pleased that Cath Speight from Unite – and my colleague as Chair of the Labour Party NEC – and Michael Stephenson from the Co-operative Party have been able to contribute. It is important that people understand that the entire Labour movement is united behind Gordon Brown as he grapples with the credit crunch, demonstrating to the country why Labour is leading the way not just locally, but nationally and globally as well.



*Sir Jeremy Beecham, Leader of the LGA Labour Group  
December 2008*



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# INTRODUCTION

John Healey MP



*I congratulate the LGA Labour Group and the contributors to this publication. It is both timely and important. It tells an essential part of the story about how Labour is tackling the credit crunch and is on the side of British families and communities in this period of economic and financial pressures.*

*Gordon Brown's leadership has been bold. But it's not just the government that has acted decisively. Labour councils are working to help people through these tough times. They are forming a new frontline in the battle through the recession.*

This is a time of unprecedented uncertainty and instability. Within the space of a few months, we have seen:

- Major banks going bust;
- The biggest one-day fall in the FTSE's 100-year history and the largest one-day rise in the Dow Jones;
- First the UK government then other countries recapitalise or take banks into public ownership;
- Oil prices soar to \$150 a barrel and then fall back to one third of this figure; and
- Coordinated interest rate cuts by the major central banks, including the largest cut in Britain for 50 years.

No government can prevent a downturn in these circumstances. No country can insulate itself from such seismic global economic shocks. The test for our political leaders is how they react and whether they are willing to act to help the economy and British people through difficult times.

Gordon Brown says that our Labour Government will 'do what ever it takes' to keep the banking system safe for savers, workers, pensioners, homeowners and businesses. He pledges to do whatever we can to help people stay in work and in their homes. And he shows strong leadership, not just nationally but internationally as well.

## ■ The reason the Government has acted quickly is simple: our Labour values

When we see the threat to the livelihoods or wellbeing of ordinary British workers and families, Labour principles prevent us from leaving people to face such problems on their own. We believe we have a duty to all in our country, which drives us to offer real help in tough times. We feel most keenly the concerns of the most vulnerable, because while city bankers grab the headlines, it is they who will bear the brunt of this downturn.

We believe in an active state. This doesn't mean the state can and should do everything, or even most things, but we are not ideologically neutral on the role of the public sector. The present problems underline the need for active government and responsive public services to protect the poorest, correct flaws in the market and secure the proper role and contribution required from the private sector in our society.

In contrast, the Tories remain bound to an ideology which demands an ever-decreasing state that does less and less. In the modern world, this would fail the country and fail the people who need support now and confidence for the future. This is the reason for the indecision and inconsistency that David Cameron and George Osborne have shown in the current crisis. It is not just their lack of judgment - it is their lack of belief in government itself.

No one can say for certain how the downturn will develop. I expect it to be similar to the early 1990s, with jobs being lost rapidly now then regained much more slowly – a

recession in the shape of the Nike 'swoosh'. But the areas and people at most risk may be different. The white collar workers in the South who felt relatively safe in the nineties are this time more exposed. Areas reliant on financial services and construction, or any single industry, are vulnerable.

We know there's already as much variation within sectors and regions as there is between them. So the slowdown will hit different areas in different ways to different degrees. This is a big opportunity for local government to show what local leadership can mean.

### ■ Opportunity and responsibility

For Labour councils, this is a responsibility as well as an opportunity. As the examples and case studies in this pamphlet show, they are putting Labour principles into practice in the local steps they're taking to support communities and show people that we are on their side.

Some of these areas are still living with the legacy left from recessions in the eighties and nineties when government failed to support those who were hardest hit and failed to prepare for the other side of the downturn. Intergenerational unemployment, low ambition and entrenched disadvantage are the scars in communities that were left to fend on their own in the past.

The Tories condemn our commitment to maintain investment in public services and oppose the borrowing necessary for action to support the economy.

We will not make the mistakes of previous recessions. That's why we will continue investing in skills, schools, transport and regeneration, especially in those areas of the country where people need the most support to get into or stay in work.

The stories that follow show such understanding and commitment at a local level. Labour councils are already working to help keep people in their homes and in work and to strengthen support in local communities. Our Labour values make us determined to use the power of government at all levels to offer real help through the tough times ahead.

*John Healey is MP for Wentworth and Minister for Local Government*

# LABOUR LOCAL GOVERNMENT LEADING THE WAY

David Sparks and Nathan Yeowell

*We live in unprecedented times. The credit crunch; the contraction of international liquidity; and a world-wide increase in food and energy prices have shaken the assumptions upon which Britain and the rest of the developed world have built the global economy over the past 30 years. In short order these economic and financial pressures have seen the housing market slow down to a snail's-pace and undermined confidence in our financial institutions - both of which have had an unwelcome knock-on effect on global and domestic growth.*

*Unprecedented times call for unprecedented measures. From the part-nationalisation of the banks to the package of tax-cuts and accelerated public spending unveiled in November's Pre-Budget Report, Gordon Brown and Alistair Darling have acted to ensure that Britain is best placed to weather the storm, unencumbered by sterile and outdated economic dogma.*



*Obviously, this economic turbulence has had an impact on local government. In a much-publicised episode, it has emerged that British local authorities have amassed potential liabilities of more than £1,000 million in the collapse of the Icelandic banking sector. Of much greater significance in the long run, families, businesses and communities have found themselves exposed to much colder economic winds and have begun to look towards the state for help.*

Despite the Government's firm and speedy action over the past few months, Labour local government should not and cannot merely stand aside and wait for central government to ride to its rescue. It is imperative that we act decisively to stand up for and defend the interests of the people that we represent. Many Labour councils and councillors are already doing this – showing their mettle in a time of great need, truly leading the way when it comes to tackling the fallout from the financial turmoil.

As we will show over the following pages, the desire to safeguard homes and jobs, whilst at the same time improving the social fabric of society, has always been at the heart of Labour's theory of successful local government. For more than a hundred years Labour local government has been rolling out progressive, social democratic or socialist policies, grounded in the desire to foster dignity, security and opportunity for all. This desire is as strong today as it has ever been – and sustains Labour politicians up and down the country as we protect our communities from the worst consequences of the credit crunch.

## ■ A Labour theory of local government

Councils are at the forefront of the state's help for families and businesses as economic times get tougher. Devolution has made significant progress over the last few years – meaning that greater powers have been handed both to local authorities and, in turn, to local people. This process must continue if we are to protect people from the worst effects of an economic slowdown and then make rapid progress towards recovery.

Clearly, an economic affects different places in different ways. Local responses to economic pressures must be tailored to local circumstances. When things begin to go wrong, councils should be there to step in, both to help kick-start local economies and to provide a safety net for people in need.

This will not come as a surprise to any Labour politician. What might require a bit more thought, however, is exactly why Labour local government has this automatic response? We have five gut instincts that can be grouped together to form an identifiably Labour theory of local government – a theory that should help put our motivations into better context:

- A commitment to fairness and greater equality – essentially, the community-by-community promotion of social justice;
- An emphasis on the positive benefits of collective action by the local state;
- A commitment to long-term, continuous, economic development;
- A belief in the sovereignty of local political institutions – at times in defiance of the central state; and
- The belief that local accountability stands as both the main building block and the guarantor of an engaged and vibrant political system.

The first of these points is pretty easy to define. For us, the promotion of social justice boils down to safeguarding local jobs and providing local houses – and if we can't help with either then we might as well admit defeat and hand over the keys to the town hall to our opponents. Put crudely, protecting jobs and houses is what we do. In all parts of the United Kingdom – and at all times since Labour's formation as a political force in 1900 – Labour politicians of all shades and colours have been spurred on by an almost visceral desire to improve the lot of their electoral charges.

## ■ The roots of ‘gas and water socialism’

The roots of progressive, interventionist local government can be traced back to the second half of the nineteenth century – pre-dating the emergence of the Labour Party as the champion of equality and opportunity in British politics. In the 1870s, the radical Liberal, Joseph Chamberlain, made his first entrance upon the political stage as an activist mayor of Birmingham, single-handedly setting the benchmark for ‘municipal socialism’. Chamberlain took over two vital public utilities – gas and water – with the twin goals of consolidating and improving services, whilst at the same time reducing costs and broadening the town’s revenue base. Encouraged by this, he embarked upon an ambitious programme of slum clearance and public works that transformed central Birmingham and provided a shining example of ‘gas and water socialism’ for local authorities across the country.

In part inspired by Chamberlain’s success in Birmingham, the Progressive majority on the London County Council (LCC) in the 1890s and early 1900s implemented a series of economic and social policies that dragged London into the new century. The number of parks and public baths were increased; London’s sewage system was improved; roads were widened and paved; and the Blackwall Tunnel, linking the Isle of Dogs with Greenwich, underneath the Thames, was opened in 1897.

It was not until the early twentieth century that the torch of municipal socialism was passed on fully to the Labour Party, with councillors across the country implementing practical socialist policies aimed at protecting and empowering their communities. In the 1930s, the by-this-time Labour-run LCC, under the leadership of Herbert Morrison, took decisive action to shield Londoners from the lingering after-effects of the Great Depression. New schools were built. A start was made on slum clearance and a massive programme of LCC-built housing estates. Perhaps Morrison’s most prescient act was the introduction of the green belt, initially designed to put an end to unchecked ribbon development.

The second strand – the belief in collective action – is what differentiates our unwavering commitment to social justice from the erratic devotion of Liberal Democrats, ‘compassionate Tories’ and ‘Cameroon-Conservatives’. We believe that worthwhile and long-lasting social and economic progress can only be delivered by and on behalf of the whole community - not driven by, and aimed at, each individual citizen in isolation. As Sir Jeremy Beecham set out in the Labour Group’s 2007 publication *Labour, leadership and locality*:

A Labour council will wish to deliver the social justice agenda while recognising that conflicting interests have to be mediated and a strategic view taken as to the balance of provision and priorities, not only within individual authorities but also in the context of a wider area. A Labour council is more than the sum of its parts or its wards. It may suit Liberal Democrats to appeal in different ways to different areas of the same town or county with policies which, taken as a whole, are inconsistent, but a Labour council pursuing its agenda needs a more coherent approach... Whether it is Nottingham leading on climate change, or London on congestion charging, Manchester on the local economy, or Barnsley helping people graduate from welfare into work, Labour can demonstrate that its commitment to collective action and a long-term strategic vision can meet the challenges our society faces.

More than twelve months after Sir Jeremy penned these words, we face the biggest economic challenge for more than a generation – and we would argue that it is our commitment to collective action that will see Labour politicians, both locally and nationally, emerge best-equipped to shield their communities in the months ahead.

Turning to the third strand of our theory, Labour local government is committed to creating sustainable, prosperous, communities because we want to lay to rest the memories of the eighties and nineties – and the folk memories of the inter-war years – once and for all. We say ‘never again’ to the indignities of mass-unemployment and social dereliction.

This motivation took a firm hold during the 1980s, when the old metropolitan counties of Greater Manchester, Greater London, South Yorkshire and the West Midlands led the way in pushing forward *dirigiste* economic policies, in direct confrontation to the nostrums of high-noon Thatcherism. Co-operative Development Agencies, Low Pay Units, Enterprise Boards and Inward investment Agencies all proliferated in the met county areas, targeting those sections of civil and economic society most at risk long before it became a statutory obligation. The redevelopment of places such as Cardiff Bay and Salford Quays was driven by the need to create resilient and self-supporting economies, fit to weather future economic storms.

## ■ 'Venice of the Midlands'

Bringing us full-circle, the story of Birmingham in the last two decades of the twentieth century shows us how modern-day 'gas and water' socialists have been able to make a lasting impact on their city.

Long recognised as Britain's Motown, Birmingham found itself faced with massive job losses in the motor industry in the 1980s. In seeking long-term solutions to the economic crises this provoked, the Labour controlled council actively worked to diversify the business visitor economy. Instead of expanding the existing National Exhibition Centre, a deliberate decision was taken to develop a new, purpose-built convention centre in the decaying, inner-city district around Broad Street, home to the existing (if little used) canal network.

By the mid-nineties, this gamble had paid off – the success of the International Convention Centre led to wider redevelopment, with the construction of hotels, bars, the National Indoor Arena, a Sea Life Centre, and thousands of newly built and refurbished flats and houses. This helped reinvigorate the city centre and brought in people and money to the city and to the West Midlands as a whole.

Our commitment to the fourth strand – the belief in the sovereignty of local political institutions – is what makes us local and not national politicians. We believe in localism. We recognise that different towns, cities and regions have different political priorities. We support the general principle that decisions on public policy should be taken at the lowest practicable level of government. Recently, we have seen the brake applied to the centralising tendencies of central government – powers have begun to flow back to councils, in the shape of:

- The 2000 power of wellbeing;
- Public Service, Local- and Multi-Area Agreements;
- Greater freedoms and flexibilities from central government proscription – including the bonfire of performance indicators;
- The sub-national review of economic development and regeneration; and
- The removal of the ring-fence from some £5 billion of local government funding.

There are still central-local tensions, with the existence of the central government cap and the continuing need to rectify the imbalance of funding being the most obvious. But we have made great strides towards returning meaningful power to grassroots councillors, and have moved away from the toxic view of local government as merely an instrument for delivering centrally designed policies.

This leads us neatly to our final strand – the inviolable belief that local political legitimacy rests in local ballot boxes, and in the institution of local government as the meeting place where communities decide their future. Councils are the forums for people to take part in local debates and to influence the collective action that shapes their daily lives. In the ongoing national challenge to restore vitality and trust in our democracy, local government is central to it.

Taken as a whole, these five strands knit together to form a progressive, Labour theory of local government. It provides an intellectual and emotional well that Labour politicians can draw on as we deal with the economic problems facing us. Labour councils – regardless of type or size – are the ones leading the way, and the following examples show how we can turn gut instinct into effective action.

## ■ Labour local government leading the way

Broadly speaking, local action can be broken down into four categories:

- Stimulating the local economy;
- Safeguarding homes;
- Providing financial assistance and advice; and
- Providing local leadership

### Stimulating the local economy

In North Lincolnshire, the council has re-jigged its capital investment programme in order to encourage and help stimulate the local building industry. Thirteen million pounds has been earmarked for a new sports academy in the centre of Scunthorpe to replace an old, dilapidated leisure centre, and local firms will be encouraged to tender for the redevelopment work, keeping jobs within the borough. This project follows on the heels of an existing locally-sourced and tendered scheme to build a new, 2,000-capacity entertainment complex, due to open in 2010.

In a similar vein, Derbyshire County Council has pioneered an internet database to help boost the local economy. 'Source Derbyshire' advertises the council's contracts and encourages local companies to tender for them. As well as listing new opportunities, it also highlights recurring contracts which firms could bid for in the future.

In November, Manchester City Council became the first local authority outside London to sanction a top-up to the minimum wage. The 'Manchester minimum wage' will weigh in at £6.75 an hour - £1.01 more than the national minimum wage of £5.74. More than 850 employees will benefit from the scheme – and the council intends to work closely with other public sector organisations to encourage take up across the city. The scheme was developed jointly by the council and Manchester's joint trade unions and has been hailed as a 'significant and historic' development, recognising the importance of lower paid workers to the development of Manchester as a world class city.

### ■ Haringey's Guarantee Employer Zone

Labour Haringey launched the Guarantee Employer Zone in December 2008. The Zone was set up with the sole aim of engaging local residents with employment opportunities within the borough. The zone:

- Creates a 'One Stop Shop' for Haringey employers, enabling the council to co-ordinate the various employment schemes run within the borough, and also market the North London Apprenticeship to all Haringey employers;
- Joins forces with the London Employer Accord to develop a Local Restaurant Consortium which will recruit and train local residents to meet specific needs of local restaurants as employers; and
- Provides Haringey with a platform to develop - along with Marks & Spencer's - a Haringey Lone Parent Marks & Start programme which will deliver an initial programme for 16 residents, including pre-employment training, work placements, post placement support and jobs in local Marks & Spencer's stores.

### Safeguarding homes

For many people, the biggest worry is how to keep a roof over their heads – or, indeed, how to secure a roof in the first place. As we know, due to longstanding financial pressures – and the considerable on-costs involved – prompt action on housing isn't an easy proposition. However, there are a number practical options available for councils to meet short-to-medium term housing needs

Salford Council has been toying with some ideas of how to help stimulate the housing market. One possibility is *purchase to rent*, a scheme whereby the council would purchase vacant properties and then lease or rent them to tenants. Councils already have the powers to do this, in one form or another, although such a scheme could also rolled out under the provision of the power of wellbeing.

Another suggestion is a mortgage scheme for first-time buyers who cannot stump up the larger deposits now sought by most lenders. Salford is particularly interested in looking at how such a scheme could be targeted towards designated regeneration areas in an effort to pump-prime development through any recession. Such a scheme would give local people access mortgage finance; it would enable house builders to build because they would know that mortgage finance was available for prospective buyers; and it would help to keep at least part of the local construction industry productively engaged.

These initiatives from Salford – if they reach fruition – echo similar schemes that were rolled out in Labour Newcastle more than thirty years ago, in the midst of an earlier financial and economic crisis. With a construction industry grinding to a halt, Newcastle Council stepped in to buy more than 550 houses and flats from developers at a cost of around £5 million. Some of the properties were complete, others in the course of construction, but the council's action, supported by the Labour government of the day, secured homes for letting and helped the builders - and their workers - stay in business and employment.

### Providing financial assistance and advice

As part of a wider package of support, Wakefield Metropolitan Borough Council announced at the end of October 2008 that it would help people struggling to pay their monthly council tax bills by agreeing payments based on what they could afford. For some time, Wakefield has been sending out council tax reminders on a daily basis – a practice that has prompted residents to make early contact with the council before significant arrears have built up.

The LGA, HM Revenue & Customs (HMRC) and councils are working together to increase tax credit take-up by local government employees. Councils in England and Wales employ over 2.2 million people - roughly 9% of the workforce. But thousands of employees could be missing out on extra money: e.g. a 35-year-old single parent with one child, earning £15,500 and paying weekly childcare costs of £120, could be entitled to an extra £8,395 a year. The LGA recently announced that a group of councils – including Labour authorities such as Manchester, Nottinghamshire and Tameside - are piloting a HMRC-funded project which uses a range of publicity materials to see which of them increases take-up locally. The results will be shared early in 2009, and could also influence work on tax credit take-up in the wider community. The LGA Labour Group has been championing this initiative for more than a year, and Sir Jeremy, in particular, has been tireless in his promotion of this scheme.

#### Providing local leadership

A number of Labour councils have used the economic situation to show their communities the positive role that can be played by expansive local government. In particular, Lambeth and Stevenage have both launched local 'credit crunch taskforces' in an attempt to map out local needs and pressures – and to set out what Labour's initial prescriptions are for such different environments as inner-city London and a new town in leafier Hertfordshire.

In Lewisham, one of Lambeth's London neighbours, Mayor Sir Steve Bullock has been quick to go on record with his belief that he has to 'make sure that the council and other local organisations are able to respond quickly and appropriately' to the local consequences of national, and indeed global, slowdown. To this end, the Mayor has:

- Called together all local partners in the private, voluntary and public sectors to consider how to respond across the borough;
- Made an initial assessment of the immediate, medium and long term effects on the people of the borough as well as on local businesses and voluntary organizations;
- Provided advice, guidance and information to people and businesses as to how they might beat the credit crunch – working with the local voluntary sector on issues such as money and debt advice as well as on advice on how best to cut energy costs; and
- Began co-ordinating the work of all public agencies locally to do what was feasible and sensible to help people overcome the worst effects of the credit crunch.

Up in Rotherham, the Labour council ran a local summit at the end of September, jointly chaired by John Healey and the Cabinet member for Communities and Involvement, including representatives from a range of local and national agencies, from across the public, private and voluntary sectors. The aim of the summit was to find out the impact of the credit crunch on the economic and civic life of Rotherham and see what could be done to help.

#### ■ Rotherham's 'Rent in Advance' scheme

One of the specific projects mentioned at the summit was the 'Rent in Advance' scheme:

- The scheme is a partnership between Laser Credit Union, 2010 Rotherham Ltd (Homeless Section) and Robond (Bond Guarantee Scheme);
- It has been in place for approximately 18 months;
- It has provided over 150 people with loans averaging £400-£600;
- Approximately half of the beneficiaries have gone on to save regularly and access ordinary credit union loans; and
- The estimated cost of processing homeless person in excess of £4,000

The project demonstrates what can be achieved locally when agencies pool knowledge and resources, working in partnership to bring a 'gearing effect' to their individual endeavours when brought together.

The summit proved to be invaluable for Labour politicians in Rotherham – giving them the information they needed to formulate their 'Five C's Framework for Action': Capacity, Capability, Co-ordination, Creativity, and Communications. The framework will be used to monitor and track the progress of all initiatives rolled-out across public services in Rotherham to help stave off the onset of recession.

Although we've got a way still to go, Labour local government has made a start at tackling the new challenges that face us – which is more than can be said for the Tories. Nationally, David Cameron has announced that he would let the recession run its course - ruling out any extra support to families, communities and businesses. To add insult to injury, blogging after the pre-budget report, the Tory Health Spokesman Andrew Lansley MP asserted that 'recession can be good for us. People tend to smoke less, drink less, eat less... and spend more time with their families.'

At a local level, Tories have shown that old instincts die hard. In Hammersmith & Fulham – one of Mr. Cameron’s flagship boroughs – the council has decided that the time is ripe to threaten its 4,200 strong workforce with redundancy if they do not accept substantially lower terms of employment and conditions. In Southampton, the new Tory leader has proudly announced that ‘for ideological reasons we are going for outsourcing, externalisation, privatisation, wherever possible and sensible’, blogging on Conservativehome that Southampton Tories ‘do not in principle favour “free this and free that” – providing proof, as if we needed it, that local Tories in many parts of the country have failed to make even the cosmetic changes that Mr. Cameron has been trying to convince us he has made.

Whatever we do over the months ahead, one of our most important political drivers as Labour local government must be a clear contrast with how the Tories dealt with the recessions of the 1980s and the early 1990s. Homes, jobs and livelihoods were all sacrificed in the name of monetarism; the pursuit of the greater economic good abandoned in favour of personal gain.

At the beginning of the twenty-first century we have a chance to show how progressive Labour government - at central and local level - can meet the twin demands of restarting the economy and safeguarding society, leading the way towards a more secure and equitable Britain.

*Cllr David Sparks is Chair of the LGA Labour Group, Chair of the LGA’s Regeneration & Transport Board and Leader of the Labour opposition on Dudley Metropolitan Borough Council*

*Nathan Yeowell is Head of the LGA Labour Group Office*

## DARLINGTON

*As employers feel the pressure of the financial crisis, Darlington Council has a scheme to safeguard existing jobs and seek to create new opportunities for those who find themselves out of work. The council’s ‘Business Engagement Strategy’ is designed to identify and build strong relationships with the area’s key employers and business sectors. With businesses struggling with suppliers, order books and accessing finance, the scheme has created an online directory, allowing businesses to access new customers and suppliers, and build networks to find ways of working together.*

The scheme improves communication between businesses and the council. It is now easier for a business to report any problems – enabling the authority and partners to react swiftly – and to access advice on council services, from licensing and regulatory functions, to accessing funding for economic development, energy efficiency or training.

Another important dimension is that businesses are asked to sign up to the priorities of the council and Local Strategic Partnership, giving a clear sign that in tough times local communities and local businesses should be supporting and investing in each other. While larger employers have been targeted first, the scheme is now being rolled out to include smaller businesses, recognising the impact and reliance all public, private and voluntary bodies have on one another.

In addition to safeguarding jobs, Darlington recognises the importance of continuing to stimulate business opportunities, attracting inward investment and supporting the expansion of existing businesses and the setting up of new ones. While all of these measures are important in the current situation, Darlington recognises that this is only the start of a much longer term strategy for sustainable economic development, and a strong partnership between the community and business that will last.

‘I know a lot of businesses are working very hard during the current financial uncertainties. The Council wants to support them and make sure we are doing everything we can to minimise the difficulties they might face’

Cllr John Williams, Leader of Darlington Borough Council

## GATESHEAD

*Many people associate Gateshead with the Angel of the North, a visible symbol of the cultural resurgence that has taken place over recent years. Yet, like many other metropolitan areas in the North of England, Gateshead's economy is underperforming, compared to the rest of the UK and Europe.*

*On many levels progress over the last twenty years has been remarkable - in 1987, unemployment in Gateshead was 17% and has now fallen to 4%. There has been significant investment in new businesses and entrepreneurship. Yet in some neighbourhoods, unemployment figures are far higher, and 60% of households have an income of less than £20,000. Adult skills are low - with 22% classed as having poor literacy.*

Helping these groups has been at the heart of the council's response to the credit crunch – recognising the importance of tackling the effects of rising unemployment and protecting local businesses against external factors.

The council works in disadvantaged communities to help local people into employment. Through targeted publicity, clients are engaged either directly or via drop in sessions held in community venues. Local residents have access to one-to-one advice and guidance, information on training courses, financial assistance, information and any other support they might need in order to return to work.

With the help of Working Neighbourhoods Fund (WNF) money, priority neighbourhoods are identified where residents are offered further training and employment support. This approach has proved to be enormously successful – through these intensive support services, 82% of the people helped into employment over the last year are still in work after six months.

These measures are now at the forefront of Gateshead Council's efforts to tackle unemployment and develop the skills base of local residents. The Council is very much focused on developing local businesses so they can locate, invest, grow and create jobs in Gateshead.

This work is in partnership with the Regional Development Agency - ONE NorthEast - the Learning and Skills Council and Business Link North East. From its position within this partnership, the Council is able to work closely with local communities to ensure that residents benefit from the jobs that are created – customising training opportunities, providing back to work grants and fostering strong relationships with employers so that local people are prioritised in the local employment market.

Another key plank in Gateshead's strategy is promoting enterprise and entrepreneurship by encouraging small firms to develop in disadvantaged communities. WNF funding is helping the development of social enterprises and assistance is provided to residents who are seeking to set up new enterprises or become self-employed. There are currently over 60 social enterprises being supported by the Economic Development Service, which has created employment for nearly 300 local people. In addition, the Council is currently encouraging the take up of Small Business Relief, and adopting a more lenient approach for those encountering payment difficulties, helping to spread the costs over 12 instalments instead of 10.

Gateshead works with local employers and continues to provide opportunities for training, employment and entrepreneurship in the face of challenging economic circumstances nationally. But, as the council recently discovered, it cannot protect or plan for unforeseen changes, and has developed a tailored package of redundancy assistance for Gateshead businesses and residents as part of the wider Tyne and Wear Together Partnership.

This approach was tested when Del Monte announced redundancies at its site in Gateshead earlier in the year, shedding half of its workforce. The council worked in partnership with Jobcentre Plus, supporting people under threat of redundancy with one-to-one guidance, job search assistance, and grants to move into other types of employment.

As other councils are finding, people are feeling the impact of the credit crunch on their pay packets as bills and the cost of living rises. To help with this, Gateshead is pushing hard to ensure that local residents take up benefits they are entitled to, or apply for benefits they might be entitled to – in particular, Housing Benefit and Council Tax Benefit. New claims are being fast tracked, residents with stocks and shares are identified and invited to re-assess their claims, and the Council is taking part in a DWP pilot where Jobcentre Plus and HMRC share information to reduce processing times.

The council is also investing in a broader package of interventions to ensure Gateshead is 'investor ready' for when the economy starts to turn around. This includes setting up a City Development Company with Newcastle City Council and ONE North East which will be responsible for economic development and investment in NewcastleGateshead.

Gateshead Council is investing in improving the skills of local people by working with other local authorities in the Tyne and Wear City Region, through its Multi Area Agreement, as well as its 'Universities College Gateshead' concept. This is where the Council and local universities work together to broaden participation rates in further and higher education.

In 1934, JB Priestley wrote about Gateshead – 'no true civilisation could have produced such a town'. The progress the city has already made to debunk this myth and transform itself into a leading metropolitan centre has given the council the wherewithal to react speedily and act to mitigate the impact of the credit crunch on its residents. By choosing to focus its efforts on the local employment market, the council is in a good position to step in when required and continue to support entrepreneurship and new development – improving the opportunities of local residents in the process.

### ■ Response to the credit crunch - Gateshead's key actions

- Gateshead is using the Working Neighbourhoods Fund and the European Development Fund to increase direct enterprise support activity;
- Gateshead is working with credit unions to gain access to the central government 'Growth Fund' to make emergency loans to families in dire need;
- Gateshead is working with CAB and fuel poverty initiatives to bring together information and publicity to provide a single point of contact and referral; and
- Gateway to Gateshead (G2G) is a partnership project implemented by Gateshead and Jobcentre Plus, with funding from the North East Employer Coalition. The project targets people from hard-to-reach groups with multiple barriers to employment, and helps them find a job with the council. As an illustration of the barriers faced by these residents the group of 16 people that moved into council jobs had a total of 110 years of inactivity between them as a group.

## LAMBETH

Lambeth recognised early on that the global financial crisis would have an impact on local residents and that the council needs to be prepared to help in the short term, and also plan ahead for the future. A Credit Crunch Taskforce was set up, drawing on the knowledge of community leaders, local experts and the experience of other councils to understand how local residents are being affected. The Taskforce asked:

- What services already exist to help those who are struggling?
- How does Lambeth Council make its services better?
- How can the council ensure all residents get the benefits they are entitled to?
- How can the council help people with their loans and bills?
- How can the council help people into work?

### ■ The council's assessment

The Taskforce identified that the credit crunch will impact on different groups within the local authority area:

- From social housing tenants who will face reduced housing options;
- Single house sharers who will have reduced spending power;
- Young professionals who face negative equity; and
- Second generation communities who own small businesses in the Borough.

Lambeth is explicit about the role of the council in supporting residents through the worst of the economic hardship. But the Taskforce also recognises that local authorities are affected by the rising prices and instability in the banking sector. Increasing fuel costs drive up the cost of delivering services such as rubbish fleets, gritters, meals on wheels. It is hard to avoid passing on the cost of escalating energy bills to residents, increasing service charges for communal heating, hot water and lighting. As residents fall into arrears, the fees and charges levied locally may not be paid. On a larger scale, regeneration projects risk stalling if financial institutions pull back on their public sector deals.

The Taskforce has made 27 recommendations to help the council protect its most vulnerable residents and provide support and advice to all residents – a comprehensive action plan to tackle the challenges presented by the economic downturn. A selection of these are summarised below.

‘I think the recommendations show great promise and are a comprehensive package.

‘If we successfully run benefit drives in our communities then we will get much needed extra money in residents’ pockets quickly. If we can extend advice services into our neighbourhoods then we can prevent people falling into a never ending debt spiral and turning to loan sharks. If we can help people to develop new skills, we can help them get a new job. And if we can help people to obtain credit, reduce costs and work with energy companies to help those in fuel poverty then the taskforce’s effect will be seen in homes across Lambeth.’

CLlr Jim Dickson, Cabinet member for Finance and Resources and Chair of Lambeth’s Credit Crunch Taskforce.

## ■ Income, credit and debt

- The council should examine all possibilities it may have to alleviate financial pressures on residents of the Borough – particularly those on low incomes, by providing some relief from the fees and charges levied by the council itself.
- The council should explore setting up a local version of the social fund to provide emergency grants or short-term interest free loans to assist those residents in acute financial crisis.
- The council should explore the expansion of the partnership with the Lambeth Savings and Credit Union to assist more residents to obtain sound financial advice and access to credit.
- The council should investigate the feasibility of including a dedicated advice line, perhaps serviced by the Lambeth Service Centre that would be able to direct residents effectively to the right advice.
- The council should develop a programme of financial management and awareness projects aimed at young people.
- The council should investigate establishing a food co-operative/buying group pilot, through established community networks

## ■ ‘Every Pound Counts’

This is an existing programme for people aged 60+; disabled; carers etc which aims to maximise incomes by ensuring that participants claim all benefits to which they are entitled. Since the campaign started in April 2007, over 1500 individuals have been assisted, resulting in £1.5m in extra welfare payments.

The Taskforce is recommending that the campaign is expanded, particularly in lower income areas. One approach is to be more proactive in housing estates and existing community groups such as tenants’ and residents’ associations, community centres, GP surgeries, children’s centres and One O’clock clubs.

## ■ Energy and Fuel

- The council should explore the potential for creating Energy Action Zones in Lambeth, involving a partnership between the energy industry and the council.
- The council should investigate setting up of workshops in community venues, providing residents with advice and information on managing increased fuel costs
- The council should do all it can to negotiate an improved energy contract when the current agreement expires and to pass any savings onto residents.

## ■ Home Visitors Scheme

In November and December 2008, home visitors will work in Lambeth to visit householders in their homes and give energy advice.

The visitors will identify what measures can be installed to increase energy efficiency, and provide referrals for grants and other services offered by Lambeth Council or central government. This will be particularly targeted at private sector benefit recipients.

## ■ Housing

- The council should build on the government's housing support measures by working with Registered Social Landlords (RSL), local banks and lenders to identify methods of providing further assistance to Lambeth residents who are at risk of defaulting on their loans.
- The council should lobby central government to set aside funds to allow local councils to offer mortgages under prudential borrowing rules to help first time buyers and the housing market.
- The council should lobby central government for additional funding to allow the development of capital projects for more affordable housing.

## ■ Housing Rescue Scheme

Lambeth would like to consider a package of support for housing markets and social housing including the adoption of Rent to Buy and the Housing Rescue Scheme.

A similar idea was piloted in Croydon, where home owners who have got into difficulties are able to stay in their home by selling a share of it to the RSL, and paying a subsidised rent on this share.

## ■ Tacking Worklessness

- The council should work to reduce the payment time for council suppliers from 30 days to a target of 10 days.
- The council should promote Small Business Rates Relief, potentially through Council's internet business page.
- The council should implement an additional business financial advice service to work alongside the current business team.
- The council should consider developing an anti-poverty strategy to support the council in achieving the vision and objectives set out in the SCS.

## ■ Employment, skills and learning hubs

The number of job losses between June and August 2008 show that London and the South East have accounted for half of job losses in England.

The Council has identified that the number of new claimants of JSA has not significantly increased in Lambeth, but still recognises the importance of supporting those that have lost their job as a result of the recession. Employment Skills and Learning Hubs will be in three wards offering a range of services in one location which will help access to training and employment. The first one is scheduled to open in April 2009.

## LANCASHIRE

*Working with nine of its district councils, Lancashire County Council puts a great deal of energy into its Welfare Rights Service, with over £800,000 in benefits directed to residents in the last year alone.*

*By identifying potentially eligible claimants through housing benefit and council tax records, the Welfare Rights Service pass on details to the Pensions Service and the Department for Work and Pensions. This has resulted in 333 more residents claiming Pension Credit, and a further 229 claiming Income Support.*

When the scheme first began, during the last downturn in 1992, over 90% of the potential claimants identified were pensioners, and some £12.5million has been claimed as a result since then. Current figures show that there are increasing numbers of people under 60 potentially eligible for long-term sickness and disability benefits. With similar schemes for Attendance Allowance and new ideas for improving the take-up of Council Tax Benefit, these are crucial measures to ensure that residents are maximising their income and getting the entitlements they deserve, at a time when household budgets are tight.

‘There are a number of key values that define our politics – and ones that we need to communicate constantly in times of need.

‘Clearly the most obvious is our commitment to equality and social justice. Our policies must have a generosity of spirit which allows for a range of different communities to benefit. We aspire to the best for everyone but we also keep hope alive for individuals and families who have often struggled for generations.

‘Labour often represents the ‘hard end of town’, those facing economic and social change with limited personal resources. Now more than ever, we have to create choices for these communities and offer second chances for progress and self improvement’

CLlr Hazel Harding, Leader of Lancashire County Council

## NOTTINGHAM

*‘Feeling the pinch of the credit crunch?  
‘Wish your cash could go further?  
‘Times are tough at the moment, but we’re on your side!’*

*While specific policies are important in targeting those worst affected by the credit crunch, Nottingham City Council’s ‘We’re On Your Side’ campaign also shows how important coordination and communication are in reaching residents.*

The effects of the current situation are likely to create a much greater spread of needs than we have experienced in recent years. In extreme cases, people who lose jobs or their homes will not be familiar with the support they can get from their local communities. By coordinating activities under one clear banner, from money-saving tips and discounts to what to do in a crisis, people will be able to get help quickly.

The city council has highlighted the following areas:

- Help to keep energy bills down;
- Extra value and discounts via the Nottingham Citycard;
- Help for residents to get what’s due to them in terms of grants and benefits;
- Coupons for cash off at council leisure centres and museums; and
- The local monthly Nottingham Jobs 4 Nottingham People magazine helping people find jobs in the city.

Everyone will feel the pinch in the months to come – and Nottingham hopes that, by showing how the council can help to ease the strain on families’ finances, it can help foster a greater sense of solidarity and community across the city, with everyone working together to get through difficult times.

The importance of this kind of communication cannot be underestimated. The LGA reputation campaign shows that residents' satisfaction with their council has far more to do with how well they feel the council communicates with them and how easy it is to get support and access services, than the performance of key services themselves.

It is also our job, as Labour in local government, to make it clear that we will not leave anyone behind. That when times are tough, the Labour council is taking action to rescue those in need, and help communities look after one another.

The role of government is difficult at this time, especially when we are dealing with a complex international economic situation that the majority of us do not understand. However, every one of us feels the impact, and while it is the job of central government to keep the economy afloat, it is our job as local government, close to communities and understanding the particular needs of our areas, to step up.

'We think it's important for our residents to know that we will do what we can to support them during the credit crunch. We also need to show that Labour is leading the way in Nottingham, working hard to look after communities across the city'

Cllr Jon Collins, Leader of Nottingham City Council

## STEVENAGE

### **Help with fuel bills**

*Working with the local Energy Advice Centre, Stevenage Borough Council has introduced the Warmer Homes, Greener Herts initiative. This scheme provides free loft and cavity wall insulation to all homeowners over 60, a considerable extension of the national scheme which begins at 70.*

An average three bedroom semi-detached home, heated by a gas boiler, would save £345 every year in heating bills. Combined with Labour's winter fuel payments, this is a major step in defeating fuel poverty at a time when every household's energy costs have risen.

Not only are people able to keep warmer for less, these measures significantly reduce carbon dioxide emissions, helping us to meet our climate change targets. Moreover, the service provides further advice to all residents on making their homes more energy efficient, and for those not eligible for free insulation from the council, helps them to seek discounts and grants elsewhere.

### ■ **Help with family finances**

Stevenage is a key player in a wide range of projects aimed at maximising the income of residents, and helping them take charge of their own finances. As household budgets tighten, and more families find themselves having to change their spending and saving habits, these are invaluable.

The council works with Stevenage Credit Union, providing accessible saving and reasonable loans to the financially excluded, vital at a time when financial services have dramatically reduced the amount they are lending. A typical loan of £1000 for one year will have an interest rate of just 1% on the reducing balance, so will cost no more than £1070 to repay.

Maximising income and benefit take-up is vital. Stevenage works with the Citizens Advice Bureau, NHS Trusts, Registered Social Landlords (RSL) and local voluntary groups to provide residents with information on what benefits they are entitled to, and how to claim

them. This is an important local link between residents and the Pensions Service and DWP, and the council uses leaflets, the council newspaper and a stand in the local hospital to make sure people can access what is rightfully theirs.

For example, there is a specific scheme to ensure that people over 80 are accessing Attendance Allowance and Disability Living Allowance. 700 residents were identified and contacted, 350 of whom were potentially eligible and referred to the benefits agencies.

Access to financial services is another key area, where the council works with the Citizens Advice Bureau to help residents access better financial services, and give them the skills, knowledge and confidence they need to manage their own finances. Again, Stevenage works with the local RSL and also HSBC to provide basic bank accounts and insurance products to residents.

### ■ Help with the way forward

Working with North Herts College and the Stevenage Business Initiative, the council is providing advice and support to those local people and local businesses facing possible redundancy. People who have lost their jobs or are at risk of losing their jobs, as well as employers considering redundancies, can now call the Stevenage Rapid Response to Redundancy helpline for free information and advice.

The service is available Monday to Friday, 9.00am to 5.00pm and trained advisers will give assistance on a wide range of topics, including:

- Help with looking for new employment;
- Advice on how to start up your own business;
- Assistance and advice on education and training opportunities;
- Help with understanding the correct legal processes; and
- Advice on budgeting and financial planning.

The helpline is based in the Town Centre, providing quick and easy access to services provided by a wide range of local organisations.

‘Labour in Stevenage is fully committed to providing as much help and support as we possibly can to those people who through no fault of their own find themselves in difficulties and are considering their future options’.

Cllr Sharon Taylor, Leader of Stevenage Borough Council.

## WAKEFIELD

*Wakefield sits at the heart of Yorkshire’s transport network, and has a strong tradition of public service employment – the Regional Assembly, West Yorkshire Police and the Ambulance service are all located within the city. Coal mining used to be the dominant industry, but the city has evolved into a thriving manufacturing, shopping and distribution centre. However, tough economic challenges remain, which the council has had to take into account when responding to the credit crisis. 34% of the district’s populations live in areas that are among the 10% most deprived in the country. 14.4% of the working age population in the district is unemployed.*

### ■ Safeguarding Wakefield’s homes

Given the prevalence of unemployment and low paid employment, priority has been given to keeping people in their homes. Wakefield is leading the way in providing mortgage assistance loans, and has set up a new council scheme specifically aimed at assisting homeowners at risk of losing their homes through repossession.

The initiative provides interest free loans between £2,000 and £15,000 to pay off arrears and instalments for up to twelve months. Each loan runs for a 3 year period and is secured on the property. Where applicants have other debt issues, they are signposted to debt counselling, and the initiative seeks to provide regular support throughout the loan period. The scheme has been funded through the Regional Housing Board, with the support of the Council of Mortgage Lenders.

In the first six months of the scheme, 64 enquiries have been received. Of the 17 applications made, 11 have been successful in receiving support, and the average amounts loaned are just under £7,000. It is anticipated that 2-3 loan applications will be supported each month, with an approximate total of 25 for the 2008/9 financial year. In one case a lender had already applied for a warrant of eviction - but agreed to hold action whilst the loan application was processed.

## ■ Wakefield's Economic Task Force

The council has also announced plans for the creation of a new economic task force to help local businesses through the current global slowdown. The move forms part of joined up efforts with Wakefield District development Agency first, Business Link, Jobcentre Plus and others to come up with practical ways to ease the burden on local businesses caused by the worldwide slowdown, which is hitting hard in the run-up to Christmas.

Wakefield's dedicated Economic Task Force will ensure up to date advice and assistance for individuals and business is co-ordinated and communicated effectively. The Task Force will also monitor impacts and consider actions to be taken to bolster confidence in the District.

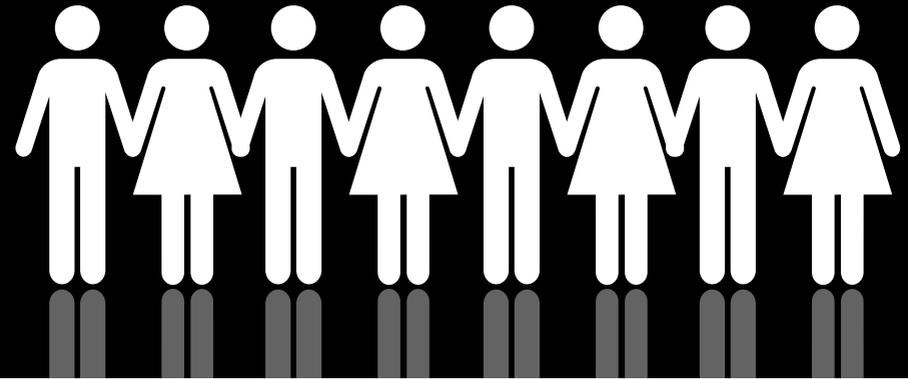
Alongside these initiatives, Wakefield has identified a number of immediate steps to alleviate the effects of the credit crunch on local residents and businesses:

- Council tax - where people can demonstrate that they are experiencing difficulty in paying their monthly instalments, the council will agree to extend their payments based upon what they can currently afford. Wakefield also sends reminders on a daily basis, and finds that this prompts citizens to make early contact before significant arrears have built up and it has become a much bigger problem;
- Credit Union - the council has arranged for some promotional material from the local Credit Union to be included with outgoing Council Tax documents. The initial focus will be on the recovery documents first (reminders and summonses) hopefully helping to steer people away from doorstep lenders;
- Debtor terms - the council is considering relaxing debtor terms for businesses and individuals by extending the period by which they would expect to receive payment for goods and services - providing a cash flow cushion to those who owe monies to the council. The approach is to assess each case on its own particular merits to ensure that individual circumstances are taken into account;
- NNDR (Business Rates) - the Council has recently sent letters to 427 small businesses which may be entitled to Small Business Rates Relief but have not previously applied. There is also a direct debit take-up campaign offering payment over 12 (as opposed to ten) instalments for this year; and

- First time buyers - Wakefield and District Housing (WDH) has approached the council to negotiate for direct deductions from salaries to assist staff (Key Workers) on the council payroll who are potentially first time buyers and are struggling to find the deposit on a 90% mortgage. WDH would underwrite the deposit on their properties as a discounted sale because they see these people as providing balance to their mixed tenure developments.

'The global economic situation is affecting all of us. As a council, we want to help ease the impact on citizens and on local businesses. The reason for this is quite simple - we want to do as much as we can'

CLlr Peter Box, Leader of Wakefield Council



*The credit crunch is having an impact across all industrial sectors of the economy, and given that Unite draws support from all sectors, it is inevitable that our members will be affected. But while the financial crisis affects all the economy, the direct effect is being felt most acutely by workers in the finance sector.*

Unite is the largest trade union representing finance sector workers in the United Kingdom, with around 180,000 members in financial services from retail banking and insurance to finance houses and the Bank of England. The sector employs around one million people and contributes around 7% to the UK's GDP. It is a vitally important sector to the UK economy.

The speculation and rumour circulating in the media over potential job losses in the UK following the financial meltdown of the sector has put the figure at upwards of 100,000 over the next 3 years. This lowers morale and fuels uncertainty for our members at a difficult time for the economy.

The tabloid media has been keen to highlight the well paid city 'spivs' and the 'fat cat' directors as the perpetrators of this crisis and with whom their readership have little sympathy. This however is not a true representation of the majority of workers in the industry.

Those most likely to be affected and who will feel the effects for longer, are the hundreds of thousands of finance sectors workers who do not earn huge salaries or command massive bonuses. They are the bedrock of the industry, and through hard work and commitment have contributed to the enormous profits earned by the financial services sector over recent years.

The short term decisions made by the chief executives of some of the biggest companies in the UK, which were based on high risk and bad lending decisions, has finally burst the bubble of success for the industry. They have had to resort to handouts from the UK Government and businessmen from the Gulf States to bail them out.

We have witnessed the nationalisation of two UK banks and the part nationalisation of 3 others with an injection of £37 billion of taxpayer's money. Given this unprecedented situation it is vital that Unite shows commitment and resilience. We need to focus on the human consequences of the financial uncertainty facing workers in the sector and beyond.

The wider social impact of the crisis in the finance sector has been felt across the country with families, communities and the economy bearing the brunt of financial mismanagement and a regulatory system which was apparently unfit for purpose.

House repossessions are at their highest level since the recession of the 1990s, Small and Medium Enterprises are increasingly unable to obtain funding despite government assurances, and communities are facing hardship due to increasing levels of unemployment. The affect of this crisis is being felt across the economy and across the country.

## ■ Unite Social Contract for Financial Services

Unite recently published a *Social Contract for Financial Services* which laid out the unions commitment to secure jobs and to make the industry more transparent and accountable.

The Social Contract makes 5 key commitments:

- To recognise Unite as a key stakeholder in the future of the financial services industry;
- To ensure the employment security of employees in the finance sector;
- To protect and improve the terms and conditions of employees, including pension arrangements;
- To end the remuneration packages of senior executives which reward short-termism and irresponsible risk taking; and
- To overhaul the regulatory structures of the financial services sector, including trade union involvement in order to enhance the accountability of finance institutions.

## ■ Unite as key stakeholder

For Unite it is important to demonstrate the links between the trade union, employees, employers and customers and to ensure that Unite is recognised as a key stakeholder in the future of the financial service industry.

The present financial crisis is the biggest challenge facing the industry in modern times. Unite is playing its part in rebuilding a successful and responsible industry by campaigning on the issues which affect our members.

We have been instrumental in lobbying government and other key agencies on the challenges facing the sector, from mergers and takeovers to offshoring and outsourcing. Unite is at the forefront to represent our members interests.

## ■ Employment security

The loyalty and commitment shown by workers in the industry must be recognised with improved employment protection. Unite will continue to defend the interests of our members and ensure jobs and terms and conditions are protected in these turbulent times and beyond.

Unite has been campaigning to end the practice of offshoring. The present situation in the economy with zero growth and the possibility of recession looming, coupled with the nationalisation or part nationalisation of some of the companies involved in offshoring, must surely put pressure on companies to halt this practice with immediate effect.

It is indefensible to continue to offshore work when it is increasingly likely that thousands of UK workers will lose their jobs. Especially when taxpayer's money may be used to support business strategies which send work overseas to be carried out in low labour cost economies.

## ■ The London Declaration

Meeting in London at the end of September, the European TUC issued *The London Declaration* as a call to arms for European governments to put an end to the worst excesses of 'casino capitalism'. The declaration called for:

- Injections of public money into financial institutions that carry with them public influence and control so causing a fundamental change in behaviour;
- Much tighter control of financial institutions' ability to leverage their operations, by strengthening the ratios of solid assets to liabilities;
- An international, certainly European, level of effective regulation. This is necessitated by the scale of global financial capitalism which now transcends most individual nations. A European Ratings Agency is necessary;
- Government action to ensure that funds are available for investment in the real economy, helping develop green jobs and technologies and sustainable development;
- Help provided for workers affected, for householders threatened by eviction, for pensioners threatened with poverty in old age, for entrepreneurs seeking investment capital. It is not fair that the main beneficiaries might be those who caused the mess;
- A European-level response to the slowdown that is unfolding in the real economy to prevent the financial turmoil intensifying further as well as to avoid a return to the 'beggar-my-neighbour' approach of competitive wage moderation and reductions in social protection which harm workers and their families; and
- Urgent return of public policy attention to the major issues of income and wage inequalities. It is inequality and poor wage income for ordinary workers that are driving households into ever more debt through risky financial market techniques.

## ■ Protection of terms and conditions

The trade union movement continually seeks to improve terms and conditions for employees, indeed this is our *raison d'être*. Workers across the finance sector are subject to industry regulation and legislation which require a highly skilled and proficient workforce that deserves recognition for the commitment and professionalism that they have brought to the industry.

The terms and conditions of the workforce within the sector, which have been long fought for, are frequently under attack often on the grounds of cost cutting. This is despite the huge profits made by the sector. Unite will defend any attack on the working terms and conditions of our members.

For too long pay systems based on short term incentives and driven by performance have dominated the sector. This has been backed by reward packages and share schemes which are not pensionable, and have now proved to be almost worthless in the present market. Decent pensionable pay increases should be awarded to workers for a fair day's work.

There has also been an attack on pension provision across the sector. Pension provision in the finance sector was once a real incentive and was based on a percentage of final salary. This has changed dramatically in recent years with employers increasingly moving employees on to the less favourable money purchase schemes which offer significantly less security in retirement and transfers the risk to the individual.

Unite will continue to challenge any erosion of our members' rights, including pension schemes.

## ■ Remuneration and incentives

Unite will challenge any situation which rewards failure. The present crisis is due in no small part to the short-termism driven by irresponsible risks which brought excessive rewards to some and cost others their jobs.

This is in stark contrast to the majority of employees in the sector who are increasingly involved in performance based pay systems. These pay systems are often based on unrealistic or unachievable targets which are rarely agreed through two way dialogue. Failure to reach targets can result in disciplinary action and zero percent pay increases. The double standards here are glaring and extremely disappointing given that this issue has been raised by Unite (and its predecessor unions) for some time.

There needs to be a much needed review of the pay and bonus culture perpetuating the industry at the top level; not a moratorium until things calm down and then it's 'business as usual'.

## ■ Accountability and transparency

The regulatory system which is tasked with overseeing the industry is also deemed to be flawed. Organisations responsible for regulating the industry, but which appear to have stood idly by as financial mismanagement and the biggest financial crisis in modern times has taken place, cannot be without criticism.

There needs to be a re-evaluation of the regime which regulates the industry. There needs to be tighter regulation of the markets both national and international and a strengthening of the framework which regulates the industry.

There were undoubtedly systemic failures on the part of the tripartite authorities; the Financial Services Authority, the Treasury and the Bank of England.

Unite would argue that it is no longer acceptable for the finance sector to regulate itself. The tax payer is now paying for the failures of the previous regulatory regime, with public money bailing out the risk takers. New rules must be made: Rules which recognise corporate institutions have a social responsibility as well as a corporate responsibility.

Unite has therefore recommended a complete overhaul of the structures and systems regulating the sector and has called for stakeholder representation on all agencies and committees within the regulatory mechanism to provide checks and balances and a questioning approach to business models.

This catastrophic mismanagement of a fundamental sector of the economy cannot be allowed to happen again. The future success of the industry should be based not only on the narrow interests of shareholders but on the wider interests of other stakeholders and they should have a voice where it matters.

*Cath Speight is National Office for Unite the Union, and is the Chair of the Labour Party National Executive Committee*

# CO-OPERATIVE VALUES IN THE POST-CRISIS WORLD

Michael Stephenson



*There has never been a time in which the co-operative and mutual ideal has been more important as we seek to rebuild the economy in these difficult times. As wallets get thinner and belts tighter, companies will have to make difficult choices in the months and years ahead. In businesses owned and operated by the private sector, it is likely that shareholders' interests will come first - with the needs of others coming second.*

For 150 years, the Co-operative Movement has been on the side of hard working 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. Co-operatives were designed to provide mutual self-help for their members, rather than create wealth for investors; this is still their core purpose today.

As the global economy faces difficult challenges, and we look to business to deliver an increasing number of social goals, we can safely say that the co-operative model's time has come again.

## ■ The Financial Crisis

Of all the structural problems that led us into the financial crisis, there is one story that has been largely missing from the public narrative.

All arguments about the potential benefits of demutualization has now ended. Bradford and Bingley's taxpayer-funded rescue was the last of the ex building societies to lose its independence. It joined other recent arrivals, such as Northern Rock and Halifax, as the latest addition in a run of corporate failure.

When the last Conservative Government encouraged societies to demutualise through the 1986 Building Societies Act, it plundered generations of assets from mutual societies. It replaced prudent mortgage providers with some of the worst culprits of casino capitalism.

Post-Crisis, we now have a unique opportunity to put that right. By recognising the enormous benefits of mutuality, we can return those institutions to their rightful position. We can bring stability and sustainability to the important work they do for our economy and the millions of Britons who rely on them.

Financial institutions in the credit crunch have not had a huge amount to celebrate. Yet, the Co-operative Bank has seen its profits rise, its bad debts fall. It has done this whilst championing a green, ethical and socially responsible approach to business.

Co-operatives and mutual financial organisations differ from their plc competitors in one crucial respect; they exist to provide a service rather than to generate profits for shareholders. This means that profits are shared amongst the members (consumers), rather than external shareholders.

The Building Societies' Association has estimated that this provides mutual organisations with a cost saving of approximately 35%, which is distributed straight back to the members - through the provision of low cost borrowing, high returns on savings and dividends. It is this very difference that has enabled mutual organisations to be consistently at the top of best buy tables for mortgages and offer higher value products than their competitors.

In addition, the fact that these organisations operate using democratic voting systems, on a one member one vote basis, means that there are no conflicts of interest between the claims of consumers and owners. There are no incentives to exploit their customers for short term gain. These core values drive high standards of behaviour throughout the sector and allow them to take a long-term view of their members' interests.

As we collectively count the costs of our financial institutions' previous short-term thinking, this approach to business should unquestionably be the future direction that we are looking for.

## ■ The newly nationalised banks

A starting point will be the future of Northern Rock and Bradford and Bingley. While the Government was absolutely right to nationalise these as a short-term measure, any long term solution for these companies should be based on some key principles:

- Taxpayers must not be out of pocket as a result of the change;
- Hardworking families and small businesses must be protected - the housing market should not be closed to first time buyers, credit lines to small business should be extended and repossessions should only occur as a last resort;
- The institutions that emerge must be secure, responsible and add to the financial stability of the UK economy; and
- Finally, these new organisations must continue to act in the long term interests of their consumers.

That is why the Co-operative Party has called for the newly nationalised banks to be converted into mutuals. Mutual ownership is the best solution for ensuring a stable long-term future for these companies, and making sure that the risk taken by taxpayers will deliver for consumers in the long term.

Building societies were founded with one purpose in mind – that of building houses for hard working families, and providing a safe place for them to deposit their savings. It is only fitting that the chief purpose of these businesses should be to do the same, particularly at a time when people are anxious about the security of their savings and will find it increasingly hard to get on the housing ladder.

## ■ Access to finance

Aside from the newly nationalised banks, co-operative and mutual organisations have a lot more to offer in the downturn. Their governance structure has traditionally allowed them to lead the way in providing financial services to many citizens who are often excluded from mainstream products. Across the UK, credit unions offer affordable credit and banking services to thousands of people whose only alternative would be that of

## financial exclusion or dealing with loan sharks.

It will come as no surprise to Labour councillors that the last ten years have seen tremendous growth in the credit union movement. Between 1995 and 2006, the number of credit union members more than tripled to approximately 500,000, with deposits growing almost nine times to just over £500 million. Much of this growth was due to the good work done by Labour councils in promoting these grass roots financial institutions.

As people look to safer institutions to deposit their savings, it is interesting that the last few months have seen a significant flow of funds out of banks and into the credit union movement. As rates on credit cards and personal bank loans have begun to rise, credit unions are increasingly offering some of the best deals around. Many credit union loans cost no more than 1% a month on the reducing balance of a loan (APR of 12.7%). In addition, there are no penalties for repaying early a loan from a credit union, with borrowers only paying interest for the amount of time that they have had the money.

## ■ Housing and Land Reform

As we seek a new settlement to bring stability to the international financial system, it is only right that we aim to do the same for the land economy. Instability in the property market has been a key determinant of every recession that we have faced over the last 30 years. Given this, a key policy concern for the future must be to keep growth in house prices consistent with other parts of the UK's economy.

At the same time, the tectonic shift that has occurred in the global financial markets means that the housing landscape in the UK will never be the same again. The mortgage and housing markets will change considerably over the long term, which will have a significant impact on the way these markets actually work.

The major outcome will be a new risk averse, resilient and more regulated approach to lending. This will mean that many tens of thousands of households across the UK will be caught in the gap between affordable rent and home ownership. In the aftermath of this crisis, ensuring that these new and emerging households have access to a decent home they can afford is a major political and electoral challenge. In addition, increasing the supply of homes is vital to ensure the long term stability of the housing market, ensuring that it does not continue to drive volatility in the rest of the UK economy.

The dramatic collapse of the long property boom of the early twenty-first century has not only caused painful pressures and problems of an economic downturn. Without substantial investment in affordable housing, its fallout will also serve to entrench an asset owning

class and create a disinherited asset-poor minority that could perpetuate income inequality for generations to come. As a nation we are storing up trouble for a future that will be socially and economically polarised by those with a comfortable asset base and those without.

Pre-crisis, the Government set a net target of 246,000 new homes to housing supply each year until 2016. This year the Royal Institution of Chartered Surveyors is predicting that new housing starts will fall below one hundred thousand, the lowest figure since 1929.

Pre-crisis, rising land values throttled the supply of affordable housing. Now, uncertainty over land values is causing problems. House builders depend on two things: the value of their land, and cash flow. With uncertainty surrounding the value of land, and credit still not freely available – the way in which our land economy exists and operates is again at the heart of the problems that we face.

The co-operative and mutual movements have always recognised the importance of land ownership – and promoted the idea of collective ownership of land. Since the time of Robert Owen, co-operatives and mutuals have been at the forefront of providing homes for hard working families, and capturing land values for the community.

They continue in the very same manner today. Across the UK, communities and voluntary organisations are working together to reclaim local stewardship of land and assets. Mutual models of common land ownership are being rediscovered and created anew to strengthen and empower communities, helping to harness land values to put them in the driving seat of economic and social regeneration. These forms of community ownership are at the forefront of a new movement to reclaim our land, our communities and our civic life.

Among the most exciting of these developments has been the development of community land trusts (CLTs), with 14 projects piloted by the Government. CLTs are community-owned and controlled organisations that own land and property in trust for the benefit of the community. They ‘decommodify’ land by removing it from the market and placing it into a local system of mutual trusteeship.

Community land trusts are a flexible tool to meet a variety of community needs. In areas where a rising population, economic investment and limited stocks of affordable homes threaten to exclude local people from the areas where they live and work, CLTs are able to ensure a supply of affordable housing through the control of housing costs and resale prices.

The post-crisis landscape presents all concerned with affordable housing supply with new challenges: new challenges that demand new solutions. The Co-operative Party is in the process of developing a new mutual model that will seek to meet these challenges. Before the end of this year, we will be publishing our plans to create new permanently affordable homes. The release of publicly owned land will be crucial to the project’s success – and we hope that with support from Labour councillors we can together make a real difference in the lives of thousands of people across the UK.

## ■ Energy

**Rising energy costs have been another source of difficulty for those on modest incomes. Whilst the wholesale cost of fossil fuels has fallen significantly in the past year, this has yet to be passed on to consumers. It has been estimated that 1.3 million households have fallen into fuel poverty over the past twelve months. Dwindling oil and gas supplies also mean that the UK is increasingly reliant on foreign energy imports, with more than half (60%) of our oil and gas from overseas.**

Then there is the problem of climate change. We 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.

Community ownership of energy has the potential to meet all three of these challenges. Mutual ownership structures can tie sustainable production and energy conversion together as a means of combating fuel poverty as well as global warming. They can work with energy experts to ensure the right mix of energy efficiency measures, including district combined heat and power (CHP) networks and on-site renewables. This could help communities to come together to reduce their carbon emissions as well as save on their energy costs.

Yet the development of community energy schemes will be highly dependant on the support of both central and local government. The Co-operative Party is therefore currently working with a range of experts from the energy and mutual sectors to set out what initiatives are required at both a national and local level to spread community energy schemes across the country.

## ■ Co-operative Values in the Post-Crisis World

Over the coming months the Co-operative Party will be unveiling its ideas to solve the problems we face in the financial, housing and energy markets. We will offer practical solutions that can make a real difference in the lives of tens of thousands of people.

Much of our successes will depend on the work that Labour councillors can deliver on the ground, and we look forward to working closely with you to deliver our vision for the future.

*Michael Stephenson is General Secretary of the Co-operative Party*

## The LGA Labour Group

The LGA Labour Group exists to fight the corner for Labour councillors at a national level, both within the cross-party Local Government Association (LGA), and in the corridors of Westminster and Whitehall. The Group provides a strong voice for Labour councillors and activists, and acts as a platform for ideas and argument for all of those committed to an effective localist element to Labour politics and policies.

The Labour Group has good working relationships with the government, Parliament and the Labour Party, and influences policy and political decisions through frequent individual and group meetings between our leading members and senior MPs and ministers.

If you would like to know more about the Group, please write to:

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