Extending Localisation

An exploratory report
Localise West Midlands
December 2008

Introduction

This is the first, outline report of Localise West Midlands's *Extending Localisation* project, a practical response to the challenges of climate change, diminishing natural resources and erratic global financial markets.

'Localisation' is our shorthand for an approach that prioritises sourcing local materials, selling to local markets, local circulation of money, and creating localised employment where it is needed.

Governments and others understand that such mechanisms 'tick' all sorts of policy objective 'boxes', but do not see that the sum of these ticks makes clear evidence for a wholesale change of approach. This project takes the need for that change of approach as a starting point.

Essentially the project involves analysing good localisation practice around the region to identify the policy conflicts and roadblocks to turning excellent pilots into a regional norm, and the policy changes and local support mechanisms that will be required.

There is a new immediacy to this agenda: climate change and the end of the cheap oil and food era have been radically changing perceptions of what makes a good model of economic development. More recently the financial crisis and ensuing recession are bringing many to the realisation that the trends of ever-larger institutions and ever-faster-moving capital have been driven more by ideology and, arguably, greed, than by evidence of public benefit. We need to ask more questions of the policy conflicts that prevent us from resolving these issues.

This work is about a direction of travel and a practical, evidenced approach, not about ideology; and there is no set boundary for 'local' – it simply means aiming for the nearest available source that meets one's requirements. We have also included some activities that support localisation good practice in other areas and countries: the West Midlands is where we can effect change, but we share responsibility for our impacts on local economic welfare across the world.

Following responses to this initial report we will further research local experience within the region and produce more detailed recommendations for all actors in economic activity, from regional policymakers to those running local businesses. Some of these will be ideas that can be implemented now; others will require significant political commitment and change.

These are the impacts we can effect through a localisation approach:

- reducing inefficiencies of long-distance transportation of goods, services and raw materials;
- reducing impacts of business travel and commuting;
- loss of local distinctiveness and area character;
- empowerment through local ownership of businesses and local accountability;
- maintaining a fairer balance in the relative power of producers, suppliers and consumers within the supply chain, encouraging diversity and healthy competition amongst businesses;
- the potential for local knowledge to reduce the need for regulation;
- local circulation of money adding value into a community;
- social capital and the value of community trade;

- more local material flows reducing the wasting of materials;
- avoiding the instability of rapidly fluctuating global markets and its impacts on people and communities;
- trade as a tool for redistribution shaped to benefit communities, locally through to globally.

This work covers the sectors of food, energy, manufacturing, finance, and retail/centres, and begins with some overarching points.

Extending Localisation is funded by the Polden Puckham Charitable Foundation, who prioritise work that develops alternatives to current economic and social structures in order to tackle the underlying pressures leading towards global environmental breakdown.

1. Manufacturing and resources

Negative trends

- Internationally exposed: globalisation and increased transport has moved many manufacturing jobs away from West Midlands and UK. Now less than 15% of WM jobs, though still the highest of the UK regions.
- Upscaling of manufacturing often means reducing jobs to a single part on a production line. Aside from job satisfaction, some business research shows that a better product is created when workers are involved throughout the process.
- Within the WM, there are fewer but larger manufacturing companies, which are more centred on export and therefore only want to site near motorway network and biggest cities. The 'just in time delivery' concept results in unnecessary transit of goods.
- Business lobbies such as the Chamber of Commerce seem to accept and encourage the outsourcing trend[1]
- High-skilled/high tech jobs are moving too and may not be brought back by high oil prices
- Short-lived trends make it difficult to provide trained workers; manufacturing can move into new sectors before workers have the skills needed.
- A reduction in local entrepreneurship because small businesses are more likely to fail.
- The distances goods travel reduce our resource efficiency: material flows don't allow for returnable drinks bottles, for example.
- Repair industry is often unviable because goods manufactured in low-wage countries are cheap, leading to depletion of raw materials.

Positive trends, good practice and opportunities

- **Resources** available in the West Midlands: reclaimed materials from local household and commercial waste; food crops; fuel crops; textile crops (wool, linen, hemp); the byproducts of any existing production; landfill gas, some minerals and aggregates.
- West Midlands **public procurement**, including the biggest local authority in Europe (Birmingham) could be a major market for local manufacturing.
- **High oil prices**[2] may bring return of 'heavy' products nearer to their markets, with benefits to resource efficiency, climate change and local multiplier.
- **Regional economic strategy** supports low carbon products and services which could boost localised production and supply chains.

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[1] *Firm quits Chamber over 'sending work abroad' row*, Dec 24 2007, Duncan Tift, Birmingham Post
[2] Although prices have reduced at time of report release, the long term trend is likely to be higher

- An **Attwood Group[3] snapshot of some WM regional manufacturers** includes 38 manufacturing/mechanical engineering businesses from carpets to plastic piping to buttons to bicycle assembly, many of whom are thriving.
- **Black Country Housing Association** had been buying **'sun pipes'** from overseas for housing and instead persuaded a local contractor to make them in the Black Country, bringing £1/4 million and 60 jobs to the local area and reducing transport.
- **National Industrial Symbiosis Programme[4]** (NISP) - began in the WM, making productive links between companies' material flows and logistics. Makes CO2, financial and resource savings in reducing landfill, incineration and transportation. Tends to work with larger businesses.
- The **Distributed Economies[5]** (DE) model - developed by the International Institute for Industrial Environmental Economics in Sweden – takes the NISP approach further, networking SMEs to make use of local assets, skills and markets to create a locally relevant economy. A scientific approach to a sustainable model.
- **Fair trade**: some fair trade or co-operatively manufactured products (textiles, gifts) are available so that West Midlands consumers can support localisation benefits and fairer wages in developing countries, but as a very small 'niche' activity.

Potential recommendations

- **Public sector, third sector and business with social/environmental objectives** can play role in supporting positive local manufacturing development.
- Role for economic development in identifying local needs and linking with local assets and markets as per **DE approach**
- **Evidence-based investigation** of the impact on the region's manufacturing of an inward investment and outsourcing centred approach to economic development.
- See also **local ownership and control** recommendations of Finance section.
- Investigate how to encourage **reuse of materials** – using NISP; minimising incineration, economic development interventions, policy changes, taxes on raw materials.

2. Food

There are potential savings of £2bn in reduced environmental costs if the UK's population ate produce from within a 12 mile radius[6]. The interrelatedness of all parts of the supply chain: we need local shops, wholesalers and producers to be viable for it to work.

Negative trends

- Trade liberalisation has led to unnecessary food miles that serve no useful purpose- such as food swaps where two countries both produce, say, milk, and supply it to each other.
- Many good local food initiatives do not affect mainstream food supply which continues to centralise.
- Consumer demand for out-of-season products makes for energy-intensive local greenhouse growing. This can have a higher environmental impact than non-local food grown in its right season.

[3] Attwood Directory: celebrating some examples of the skills & produce in the West Midlands – 2004
[4] http://www.nisp.org.uk/
[5] http://www.delabs.org/
[6] Research by Tim Lang (City University in London) and Jules Pretty (*Centre for Environment and Society, University of Essex)*

- In developing countries the overdependence on food crops can damage communities and food security, pits poorer countries against each other for the same markets, in which there will always be a loser, and can bring less income than other economic options.
- Regulation is becoming an ever-increasing burden designed for larger scale and more distant systems but suffered most by smaller producers. 'Food labels' such as organic status can work the same way, where with local supply chains local knowledge can be a better quality control.
- Increasing dominance of centralised supermarket supply chains.
- Producer collaboration has been encouraged by DEFRA but has not quite gone to plan; rural hubs seem relatively dormant and the national school fruit scheme remarks that local producers have 'not managed to collaborate' to supply together. Perhaps too time-consuming in an already high workload.
- In the UK and across the world, small-scale and mixed agriculture has been made almost economically unviable by a variety of factors including free market pressures, the use of subsidies and regulation, increasingly unpredictable weather and fluctuations in global food prices during the recession.

Positive trends, good practice and opportunities

- The sector where there is most **understanding** and the highest number of localising initiatives, but many of these remain in some way niche activities.
- The West Midlands' **central conurbation and rural 'hinterland**' provides the potential for the conurbation to be more locally fed.
- **High oil prices** may encourage local food supply chains to become more mainstream.
- Public procurement has achieved some successes in the region: **Staffordshire county council's** three-year meat contract with 8 independent butchers to supply local meat; **Shopshire** has awarded contracts for school food to several local producers through breaking up the county into several areas. The UK-wide public sector food procurement initative (**PSFPI**) has facilitated related studies in the region.
- **Fair trade initiatives** provides those in the West Midlands with a way of ensuring they can support similar principles in developing countries (co-operative management, fair wages, smaller scale farming). There are also strong movements for food sovereignty such as Via Campesina and UBINIG, Bangladesh.
- Some producer co-operatives make trade links with each other between countries to trade in surplus or unseasonal goods: Italian **El Tamiso** and **East Anglian Eostre** have linked so that El Tamiso can supply goods that are out of season in the UK, and produce arrives often fresher than by conventional distributors.
- The **Wholesome Food Association** provides an organic 'food label' that does not involve the lengthy, expensive and bureaucratic systems of other labels, but simply asks producers to commit not only to high standards of natural production but also to allow any interested potential customers to visit the farm to check conditions for themselves.
- In the North of England and the South, supermarket chains **Booths** and to a lesser extent Waitrose have sound **local sourcing policies** for a good deal of their produce and more decentralised supply chains – at least in comparison with the major 4 chains. Waitrose additionally has the local multiplier and democracy benefit of being worker-owned as part of the John Lewis partnership. But Booths has no presence in the West Midlands and there is no local equivalent; and Waitrose have only a 9-store presence in the region.
- **Using wholesalers**: the WM Farming and Food team commissioned Heart of England Fine Foods and Localise WM to conduct two separate pieces of research: the former to map all contracts in the region to produce a database to facilitate local producers to supply to them; and the latter to map wholesalers in the region who are prepared to source locally for public procurement to facilitate procurers in finding them. This has led on to a further feasibility study on using Birmingham wholesale markets as a hub for local produce to supply into public procurement.

- Prevalence of **farmer's markets, community supported agriculture and box schemes**: around 30 farmers' markets in the West Midlands, the Soil Association website lists 4 CSA schemes in the region, but this is probably not comprehensive. Such schemes provide new markets mainly for dedicated customers (raising awareness, high traceability, raised farm income, CSA sharing risk and responsibilities) but the traditional shop method tends to be better for most producers and consumers.
- An advantage of a localised approach is a heightened awareness of footprints of different food types; **localisation of feedcrops for livestock** might lead to a higher proportion of pasture-fed crops and mixed rotation farming. The footprint involved might also lead to a culture of eating less, but higher quality, meat and dairy products.

Potential recommendations

- In support organisations, a strong focus on **local seasonality** in procurement to avoid 'wrong outcomes' in energy use.
- Can producer collaboration be made easier by any form of public support? Particularly for **national school fruit scheme** (DEFRA case study).
- A global coalition campaign to change **international food trade law** including the right for all countries to protect small-scale domestic food markets but also for the abolition of non-redistributive subsidies for export
- Research into and support for **pasture-raised livestock** as part of a mixed farming system.
- Depending on outcomes of feasibility studies, to get regional support for the use of the **wholesale markets as a hub** for distribution of local food, whether for public or other procurement.

3. Retail and centres

Retail plays an essential role in a localised supply chain of food and other goods; 'walkable' retail builds social exclusion and reduces the need for the car; social capital and local multiplier are stronger in a town centre full of independent shops, and local distinctiveness is another benefit.

Negative trends

- A centralising trend in all retail and particularly food: 80% of our grocery spending goes to the supermarkets[7].
- Knock on negative impact on supply chain: local independent shops are more likely to use local suppliers (certainly for food[8] and other common products) and many supplying wholesalers and manufacturers are going out of business.
- Local money circulation is decreased by the prevalence of chain stores that use more centralised suppliers.
- Out of town supermarkets kill off the shops that are within walking distance for many without access to a car, often creating food desert.
- UK Competition Commission views the preservation of 'independent shops' as a genre as being akin to preserving specific retailers. Even within the food sector the Commission seems to be happy for food provision to rest solely on the big four supermarket chains.
- Supermarket impact assessments are conducted by consultants chosen by the applicant, so that it is in the consultant's interests (of getting further work) to present a report that

[7] A Simms et al: *Ghost Town Britain: the threat from economic globalisation to livelihoods, liberties and local economic freedom*, New Economics Foundation, London 2002

[8] Food Webs, CPRE 1988

shows no negative impact on the viability of the shopping centre. See Shirley example below.
- In Dudley on the opening of Merry Hill, and in Birmingham on the opening of the Bullring, and countless other instances across the region, on the opening of the out or edge of town shopping centre the chain stores relocate into it, leaving vacancies on the high street. This impacts on the viability of any area as a shopping centre for local people, as a living for traders, and in terms of the non-shopping facilities of the centre. Exacerbating the problem it leads to competitions between centres to be shopping destinations.
- A trend also to centralise other local centre facilities, from swimming pools to schools, with similar impacts on social exclusion and increasing traffic.

Positive trends, good practice and opportunities

- Some **urban areas, often with high Asian populations** (e.g. Sparkhill, Birmingham) have thriving local retail scenes for food, clothing, appliances and many other goods; which although the area might technically be deprived gives it a strong local multiplier and food access. Local competition is also healthy in these areas.
- Some **market towns** in further corners of the region (such as Bishops Castle, Leominster) have thriving local retail, perhaps because their locations discourage centralised distribution networks.
- **Planning policy** has at least recognised the negative impacts of out-of-town shopping centres, - but still permits supermarkets at edge locations where the impact can be similar.
- Localise WM conducted an independent **community and retail impact assessment**[9] of a proposed mixed use development (including supermarket 'anchor store' in Shirley, West Midlands, on behalf of the local Town Centre Partnership. This was criticised as 'premature' (i.e., they hadn't done theirs yet) by the developer but endorsed by the Retail Enterprise Network[10].
- **Town centre shipment points** – a 'central point' distribution model proposed by the TCPA to make delivery into the centre easier and less disruptive.
- Lewes in East Sussex protected independents by the indirect measure of **restrictions in shop floor sizes**: smaller units are less likely to appeal to many chain stores[11].
- A recent mixed use development in Wolverhampton by AM Developments kept to **traditional streetscape** and ensured that a full range of unit types, sizes and prices was available with the explicit intention of having a full mixture of retail types including independents.
- **Birmingham's Shopeasy[12] scheme,** set up by the Chamber of Commerce in response to the threat to local independent food shops, addresses three aims: improve the quality of retailing, revive local areas and empower retailers. It provides training and a "Symbol Group" scheme for small corner shops, and advice in retail management, marketing and customer relations. The Black Country and other Chambers of Commerce have considered replicating this.
- In **Sandwell** a scheme called **Shopwell** supports around 50 retailers in the training and skills they need to stock affordable and attractive fresh produce, to combat 'food desert' syndrome and support the viability of the local retailers. Target locations came from food access mapping data. This came out of a healthy food access approach but takes a long-term view of how healthy diets are supported in the community and recognises the importance of the local shop to that goal.
- The Retail Enterprise Network runs a programme called **Agora**, which aims to empower local communities in predominantly deprived areas to manage their town or district centres using sustainable social enterprise management models. It will create enterprises

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[9] http://www.localisewestmidlands.org.uk/shirley.htm
[10] Retail Enterprise Network, Manchester Metropolitan University: www.retail-network.org
[11] Clone Town Britain, New Economics Foundation
[12] http://www.regenwm.org/casestudies/casestudies_details.asp?cat=Economic_Development&cid=26

considered vital to the sustainability of those communities, such as local food supply chains and community services, thereby reversing economic decline and ensuring the district centre is run for the benefit of all its local stakeholders. One of Agora's eight pilot towns is **Ludlow** in Shropshire.

- Ludlow is also a "**Cittaslow**" town, in which the principles of the Slow Food Movement are applied to town centres. A Cittaslow signs up to working towards a set of goals that aim to improve quality of life and protect local distinctiveness. It is "about avoiding the 'sameness' that afflicts too many towns in the modern world". Cittaslow limits membership to populations under 50,000, so larger towns, where such an approach is equally if not more crucial, are excluded. Cittaslow UK is funded by Advantage West Midlands.
- Some areas including Leominster have started their own **local shop loyalty card scheme**, usually in response to a new supermarket. Loyalty cards tend to work as short-term profile-raisers but can catalyse the recovery of a town centre according to retail specialists at Surrey University.
- **Community owned village shops**: particularly essential services in rural areas, there are 4 community owned shops in Herefordshire, 3 in Shropshire and 2 in Warwickshire. The Village Retail Services Association supports and promoted community owned village shops and feels this role should be undertaken by government bodies at all levels.

Potential recommendations

- Investigate how **what makes local shops thrive** in some market towns might be replicable in other contexts.
- Promote relevant authorities to support a **town centre management model** that is **community-led** and involves a variety of sizes of business and supply chain links within and without the community, perhaps learning from the Agora project if REN is willing.
- Promote an understanding of a **healthy mix** of independents and chains to the **Competition Commission** and other bodies.
- Investigate a **Cittaslow model for cities** if the benefits are in evidence.

4. Energy

Cheap energy has been one of the drivers of globalised trade. Electricity and gas are supplied by national 'grids'; both generation and transmission of electricity are multinational in ownership. Oil is globally distributed. Sources of energy for electricity have been oil, gas, coal and nuclear, sourced internationally; with a small but growing renewables sector. There is a small proportion of embedded renewables. Energy distribution systems need to combine efficiency, stability and energy security.

Negative trends

- The UK's centralised grid system wastes two-thirds of the energy that goes in, 65% in generation processes as waste heat, and just over 7% in transmission.[13]
- The present government seems committed to nuclear power, which would not meet CO2 targets in time and diverts money away from potentially huge programmes of energy efficiency and renewables.
- The West Midlands could not produce enough fuel crops within our ecological or geographical footprint to continue our over-use of transport fuels.

[13] http://www.climal.com/energy-efficiency.php

- The Regional Assembly's Regional Energy Strategy states it cannot meet the government's paltry 10% renewables obligation due to having no coastline. Although the agenda has moved on considerably since this strategy was written, it has not yet been updated.
- One barrier to maximising the potential of decentralised renewables for electricity is efficient and readily available energy storage. This needs further investigation. Also Feed-in tariffs
- The installation of renewables in social housing on a large scale, as happened at Summerfield, Birmingham, is not replicable without a major change in the financing infrastructure as it took hefty amounts of Neighbourhood Renewal Funding.
- Energy from Waste can damage resource efficiency by creating a demand for burning materials that could be locally reused or minimised. See also manufacturing section.

Positive trends, good practice and opportunities

- While in the past, **remote rural areas** of the region being off the gas grid may have been a disadvantage, there could be advantages in that their abilities to think about alternative fuels and their **community fuel security** are more practised.
- Particular for electricity, **decentralised energy networks** are more efficient and have better financial benefits. A decentralised system waste less in transmission and allows smaller generating plants to use the heat locally (piped to homes and other spaces) as well as the electricity generated. There are currently no offgrid networks such as the one at Woking in the West Midlands but these could be encouraged. **Birmingham** has installed two on-grid combined heat and power plants; this technology is growing fast. Capturing and using heat where it is a by-product of any other process (egg a manufacturing process) is also a feasible solution.
- **Embedded renewables** are efficient if the demand is right, as less is wasted in transmission.
- **Climate change bill commitments**, Code for Sustainable Homes and the energy performance directive all support a more efficient way forward.
- There are significant commitments to a low carbon economy in terms of both technology and personal behaviour in the **Regional Economic Strategy**. Agencies such as the **Marches Energy Agency** provide strong local expertise in low carbon, localised energy systems.
- The emergence of **Transition towns**, community energy saving initiatives and low carbon villages provides a massive vehicle for behaviour change.
- Public awareness from local energy supply: if people can **see the production of energy** in their own community, it reduces the 'someone else's problem' attitude that many have towards responsibility for the energy we all use.
- Given our lack of coastline, the West Midlands's biggest renewables asset is its potential for **biomass** particularly waste biodigestion: biogas from **sewage and food waste** could replace the natural gas we currently use – due to agriculture and high density centres of population. The region has biogas expertise in the form of biogas company **Greenfinch**, based in Shropshire. Unlike 'energy from waste' incineration, biodigestion can take create a closed loop system and produce a natural soil conditioner in the process.
- **Eccleshall**, Staffordshire, has a biomass power plant fuelled by locally grown miscanthus; it was installed by **Talbotts**[14], a Staffordshire-based specialist biomass company. Several West Midlands rural schools have installed biomass burners and there is a fuel-crop-powered CHP plant at Harper **Adams Agricultural College**.
- **Rapeseed**, as part of mixed, rotation farming, is being used to provide biomass as a **byproduct of the food crop**, which minimises the fuel's footprint.
- **Biodiesel from used cooking oil** is produced on a small scale within the region and is an excellent re-use of resources, but risky and expensive on a commercial basis according

[14] http://www.talbotts.co.uk/

to a Birmingham study[15]; other biodiesel production in the region is made from virgin oil sourced non-locally. Production companies sited here could take more advantage of local materials and markets.

- The **Green New Deal** approach[16] provides funding mechanisms for energy efficiency and local renewables.
- Decentralised power can be **owned by the community** more easily, which again means some taking of responsibility but can also mean getting the financial and security benefits.
- **Rising transportation costs** may make more localised manufacture of renewable technologies more viable (this is also a pillar of the RES): wind turbines could replace the area's automotive industry; solar photovoltaics (including solar tiles) and similar.
- **East Birmingham Community Energy Company** has proposals for locally owned renewables, including an innovative idea for low-cost solar 'hire purchase'.
- Social enterprises around the region offer domestic energy efficiency services at affordable prices. In particular, **Birmingham Social Enterprise Energy Network** is delivering job creation within social enterprises for delivering energy efficiency work for individuals and housing associations.
- **Local ownership models**: Embedded renewables are locally owned; community ownership models of on-grid electricity generation are also sometimes practicable. CHP plants such as those within Eastside and at Woking tend to need a major backer and be outside the scope of pure community ownership. For practical reasons it tends to work better that the community own a share in a bigger renewables development. One of four wind turbines on the proposed at Reeves Hill Wind Farm in Herefordshire is planned to be owned by a community co-operative so that there is a community stake. Energy4all[17] provides the expertise on this.

Potential recommendations

- The region first needs to look at reducing demand for energy by means of **energy efficiency** and after this at its own sources, which will mainly be renewable sources and waste sources, supplying decentralised networks for communities within the region.
- Best recommendations for tackling transport energy localisation involve reducing inefficiencies of mileage, which is covered by other sectors of this report. The role of **biodiesel** for the West Midlands within crop rotation and ecological footprint should further be investigated.
- Work is needed on effective and practical **community ownership models** to help increase the multiplier effect, awareness and social capital from renewables and efficiency projects.
- Promote **Green New Deal** ideas locally and nationally as a strategy for the current crises.

5. Finance

In addition to usual localisation issues within the finance sector is the need for financial transactions to relate closely to the productive, 'real' economy – productive work and real assets.

Negative trends

- Bank mergers have created huge institutions large enough to create havoc when they fail

[15] *Community Network South West Biodiesel Study*: Greg Cox and Steve Dewar
[16] A Green New Deal; New Economics Foundation
[17] www.**energy4all**.co.uk/

- In the UK our central banking has no regional representation, brief or accountability in its scrutiny or other roles, which makes it less responsive to local conditions and basic banking principles and much less publicly accountable[18].
- Many building societies have demutualised and become banks
- The UK taxation system is one of the most centralised in Europe, almost entirely controlled by central government.
- PFI schemes put public services in the hands usually of transnational companies, reducing local multiplier and accountability. The PFI approach also makes shorter-term gains at the risk of longer-term public debt.
- Stock exchange funding for enterprise is volatile, so that otherwise secure jobs can be lost due to a panic.

Positive trends, good practice and opportunities

- **Building societies** are better for local multiplier effect and accountability as they are mutually owned enterprises. They are less exposed on international finance markets as 70% of its funds must come from members' deposits, and so have been protected in the current crisis.
- **Islamic finance**: as well as anti-usury, follows the principle that every financial transaction must involve an underlying asset or service and if you trade an asset you have to own it first. The UK's only Sharia-law-compliant Bank, the Islamic Bank of Britain, is based in Birmingham.
- **Credit unions**: 39 in the West Midlands. Localised financing structure, co-operatively owned and controlled, offering financial services to all (including the financially excluded), with responsible lending principles and advice. Have had credit available during credit crunch. Offer current accounts, benefits direct, ISAs, child trust funds and mortgages.
- **Local authority bonds** potential for investing in the public good; more secure returns than many investments. A good route for local pension funds.
- Birmingham's **local stock exchange** www.investbx.com - enables local companies to connect to investor community for sums between £500K and £1.5bn. One advantage stated on their website is that "local investors can benefit because.. local knowledge can lower perception of risk." But is it more stable than other stock exchange funding?
- **Worker-owned business models** including worker buyouts: no examples of major companies in West Midlands but clear advantages in terms of accountability, power, job satisfaction, stability, local multiplier. www.employeeownership.co.uk. Community buyouts of local shops and pubs also – see retail section.
- **Aston Reinvestment Trust**[19] (Birmingham) and similar Community Development Finance Institutions offer financing for local business, often with social objectives. (Their website currently says "At ART there is no crunch".)
- **Community Alternative Currency schemes** – around 33 in the West Midlands. Services are exchanged for community credits which can be exchanged with other members for other services. Whilst always secondary to mainstream money, these can be genuinely useful, redistributive and more stable in times of financial hardship - or for the less well off in an affluent area.

Potential recommendations

- Encourage **mutual models** such as building societies and credit unions
- Ensure a greater degree of banking is centred on **productive work and real assets**;
- Provide options for people's **individual savings and mortgages** that are protected from the global finance casino.

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[18] See www.localisewestmidlands.org.uk/bankof
[19] http://www.reinvest.co.uk/

- ‘**De-merge’** the bigger banks
- Investigate **local stock exchange** and CDFIs as more stable finance for enterprise
- Greater use of local government bonds as investment, perhaps for pension funds.
- Mainstream finance should follow ‘**real asset’ principle** from Islamic finance
- Follow **EU Charter of Local Self-Government** recommendations on tax
- **Regional representation** on our central bank; closer public interest **scrutiny** of banking practices
- Investigate the further role of **complementary currencies** in the West Midlands economies particularly in the light of the recession.

6. Overarching trends and conclusions

An entirely insular economy would be as dangerous and unstable as the global instabilities we see now. A healthy mix for a local economy involves various types and sizes of business, some with strong local links and others with links to external markets, some larger and owned by bigger organisations. The same is true for a healthy and stable approach to finance.

Negative trends

- In public procurement, the UK government’s efficiency agenda can be used to damage the benefits of smaller scale trade. Pursuit of short-term cost-savings (for example joint multi-authority contracts) sometimes assumes the economies of scale as the cheapest approach but can end up being more expensive; and large, multi-agency contracts can ultimately eliminate competition.
- The global price shift in food and oil will be a deadly financial burden on the poorest locally and globally unless a more localised approach to trade is adopted at policy level internationally.
- The role of spatial planning should effect a reduced need to travel. The current West Midlands Regional Spatial Strategy draft has this as a policy but its own sustainability appraisal says its proposals for new housing locations will increase the need to travel by damaging the last strategy’s urban renaissance agenda.

Positive trends, good practice and opportunities

- The collapse of the last **WTO talks** signify a growing unhappiness with trade liberalisation that, given the right pressures, could allow for a **new model** that protects community-scale economic activity the world over whilst allowing fairer freer trade between countries where evidence shows this is the most advantageous option.
- **Public procurement** can provide a ‘**critical mass’** for local produce supply chains.
- **Local Area Agreement** process allows for a more strategic, and potentially more inclusive approach.

Potential recommendations

- As indicators, the potential of the ‘**local multiplier’** concept and limits of ‘GVA’ must be recognised.
- A review of how the government’s **efficiency agenda** is interpreted and implemented in the region to ensure short-term cost savings do not incur medium and longer term costs.
- Investigate how to ensure the West Midlands **spatial strategy** doesn’t ‘increase the need to travel’, for example by supporting a needs-led rather than market-led housing analysis.

Next steps for Extending Localisation

The potential recommendations above are some of our initial areas for investigation. In the next stage, LWM is investigating what else is being done on localisation within the region, by local authorities and others, and will analyse and develop these findings into firmer strategies for extending localisation, within and beyond the region. We would welcome any evidence, examples, arguments or other input to this process.

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