Tales from the frontline of regeneration

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How the London Borough of Enfield is changing the rules of the game.

One of the main policy priorities for the Labour administration that has been running the London Borough of Enfield since May 2010 has been to determine ways in which a local authority might be able to reverse the downwards spiral that has affected our most vulnerable citizens over the past thirty years. This is something we share with many other authorities, but what makes our efforts worth writing about is our new understanding that regeneration can only succeed if we work to make changes in the rules of the game.

Our starting point has been to recognise the failure of the status quo. There is a wealth of cogent and basically unassailable evidence that attests to the disastrous effects of neoliberalism on manufacturing and employment; and at the micro-level of Enfield, de-industrialisation has been nothing less than a social and economic catastrophe that we experience on a daily basis.

We live it in the form of gaping inter-ward disparities: the level of inequality between Enfield's north west and south east corners is as extreme as that between the German-level prosperity of south east England and Bulgarian-level deprivation of the North East, as recently highlighted by the TUC.[1] We also live decline in unemployment rates approaching 50 per cent in some of our eastern neighbourhoods: thousands of former industrial workers who were once gainfully employed in famous factories - including GE lighting and Visteon auto supplies, as well as Enfield's old munitions industry - have never again been able to find stable employment locally since the factories closed. In Enfield, most people in full-time employment commute elsewhere; the majority of local workers have only part-time jobs. And we further live Maggie's ravages in the lack of vocational prospects on offer, either to the progeny of our old blue-collar workers or to the many incomers that are settling here as the Coalition government's benefit cap prices them out of Central London. And our two-tier borough also lives Thatcher-wreaked destruction in the social alienation of our have-nots. Enfield used to enjoy a structured working class that lived according to tried and tested rites and rituals that constituted a source of pride and fostered the self-esteem that is the basic glue of social cohesion. Now we have gangs, drugs, knifings, riots, murders. Readers may recall a number of sensationalist articles in the national press decrying recurring tragedies in Edmonton. The prurience with which our troubles are viewed calls to mind Stalin's notorious dictum that though a single death is a tragedy, a million deaths are a statistic. For us as the frontline local authority, each knifing, each murder, each wasted life, is a single tragedy. These are our neighbours - and for us as Labour councillors they are also our constituents. For us, laissez-faire politics is simply not an option.

Indeed, the notion of leaving things to the market is another aspect of the status quo's betrayal of Enfield and all local authorities. It is nonsensical to suggest, as the Coalition government does, that local regeneration should rely on pure market mechanisms, when it is precisely market failure that has destroyed our industrial fabric. The key policy in Osborne and Johnson's economic 'rebalancing' has been the creation of supply-side 'enterprise zones', whose main goal is to further lower corporation tax. This is as idiotic a policy as the medieval habit of bleeding patients because they show signs of anaemia. Thirty years of de-industrialisation demonstrate that, regardless of the degree to which we lower corporate taxes, the West can never compete with emerging manufacturers' return costs. Yet Francis Maude's recent contribution has been to proclaim his ambition for England to become a tax haven.[2] It is impossible to see how such blind faith in the trickle-down credo will do anything but worsen the social fracture that is already ripping our country apart. Albania and Bosnia have corporation tax rates of 10 per cent. Are the Tories really proposing that we equalise the standards of living of Enfield's working classes with the have-nots in those countries? Please sir, may I have more porridge?

It is also impossible to overstate the extent to which thirty years of anti-state rhetoric has undermined the self confidence - and hence operational effectiveness - of the many public sector managers who will necessarily have a role to play alongside councillors in imagining and implementing remedial actions. Officers already have the problem of constantly needing to restrain their innate Sir Humphrey tendencies, and the constant belittling of state actors is immensely counterproductive in this respect. This is not to say - given that there is so much money in business hands and so little discretionary capital at councils' disposal - that the private sector does not also have a big role to play in any regeneration drive. At no point has our thinking ever considered turning the clock back to the era when primitive policy arguments pitted state against business, as if ne'er the twain should meet. At the same time, with Enfield Labour's social-democratic sensitivities it has always seemed downright silly (actually suicidal) for us to do battle against this wrong turn of history with one hand (the state apparatus) tied behind our back. We have therefore decided to ignore whatever it is that the *Daily Mail* calls an authority that is no longer prepared to beg for crumbs from Cameron's table. As my second favourite US President once said, 'All we have to fear is fear itself'. My favourite said something similar recently with his more lapidary 'Yes we can'. The first step in our new direction was to decide not to be afraid.

Beyond that, however, it was hard at first to figure out what we could do. In terms of the resources that we might use to bolster vocational training, improve procurement contracts, foster local multiplier effects … well, for us Eric Pickles is the real Liam Byrne: there's no money left. In Enfield, for instance, Pickles will have forced us to shrink our discretionary budget by 27 per cent by the time of the next council elections. Expressed differently, by May 2014 Enfield Council will be 73 per cent of the size it was in May 2010. By any measure that is a financial Hiroshima. As a result, one of our main focuses over the past two years has been to restructure internal departments and reduce the inefficiencies inherited from our Tory predecessors, many of which - in line with their right-wing conception of social organisation - dilapidated public funds on expensive consultants. We have tried to do this in a way that enables the implementation of manifesto commitments without cutting frontline services. We've been successful so far, but there is no question that such efforts preoccupy officers, and leave us thinly stretched in terms of our resources for the new regeneration programme. The second step in our new direction has thus been to recognise our limitations.

Combining these two insights has left us with the understanding that the interventionism we consider irreplaceable will largely have to mobilise non-financial means. This has opened up a conceptual space for our administration to consider what other missions an activist local authority might pursue. The first form given to this questioning was a conference organised early on in our mandate on the theme of 'fragmented' councils, where we asked about the feasibility of unified delivery in a regime increasingly defined by the outsourcing of public services to private contractors. We then moved to deepen this interrogation to address the more specifically economic and socioeconomic issues associated with the regeneration of Eastern Enfield's declining industrial heartlands, in what is known as the Upper Lea Valley, which extends from the North Circular to the M25. Towards this end, we decided to build up our intellectual firepower.

The reason we then turned to Karel Williams and Sukhdev Johal of the Centre for Research on Socio-Cultural Change - in addition to a personal acquaintance formed years previously under other circumstances - was the strong profile that they had been developing in a branch of political economy that seeks to envision the UK's industrial and thus social decline in more structural terms. Sukhdev and Karel were first introduced at an Enfield committee that calls itself the 'Decentralised Energy Network group', in recognition of the potential for using energy from the Edmonton waste plant as an anchor for future investment in the Lea Valley. Before hosting CRESC, the committee had already met on several occasions, and among other things had considered proposals for foreign direct investment in new wind turbine technology or biological uses for waste products. The members soon realised, however, that there was a need to develop a more holistic vision of their brief. Hence the introductory meeting with CRESC.

The purpose of this initial session was to discover possible compatibilities between Enfield and CRESC, and how the two sides might collaborate in developing a policy agenda. CRESC made it clear from the start that they were less interested in pecuniary remuneration than in having the opportunity to make a case study of our borough and launching a much larger debate. Given our financial strictures, this approach was very welcome, especially because we were aware from the outset that Enfield could benefit in other ways if we were seen as mobilising an 'alliance of the disenfranchised' - to use the expression that Karel coined when equating our circumstances with other victims of de-industrialisation, whether on London's periphery or in the West Midlands. We were also aware of the need for Enfield Labour to engage with re-industrialisation on a more meaningful level at a time when the national Labour Party still needs to work to regain its economic credibility - and when the local Tories have shown themselves incapable of conceptualising Enfield's economic woes in anything other than the most superficial terms.

On this basis, we asked CRESC economists to research Enfield's industrial data and formulate advice incorporating the various constraints we face. During the period in which their research was being undertaken, we also received reports from European Business School London students who were studying potential business responses to some of the levers associated with our intentions - such as cluster strategies, transportation and environmental supply chains. We also commissioned the New Policy Institute to ascertain the social conditions that would enable Enfield residents to benefit from any employment creation that might result from our future efforts.

This latter focus attests to the way in which our approach was permeated from the very outset by a strong sense of Enfield's local self interest. Our initial findings had made it clear to us that we could no longer afford to remain beholden to the deterritorialised vested interests that are associated with a godlike 'marketplace'. Instead, we had to have the courage to envision a neo-mercantilistic journey focused solely on the interests of Enfield intra-borders. When CRESC came back two months later to make its main recommendations, this inclination towards 'municipal mercantilism' was made explicit.

After providing a background to their own thought processes - including a review of Joseph Chamberlain's 'municipal socialism' in Birmingham more than a century earlier, as well as statements made by less ideological modern Conservatives who recognise the interest of 'economic nationalism' - the CRESC economists provided an 18-point list of regenerative policy prescriptions they considered suitable to Enfield's circumstances. After a few weeks of discussion, we finally ended up with a shortlist of feasible policies that we then subdivided into three categories; these largely distinguished between 'low-hanging fruit' that could give us the immediate successes needed to legitimise our project; medium-term projects that required organisational capabilities but little cash; and the big transformative policies, where a combination of capital resources and state entrepreneurship could indelibly change our borough's economy. Each of these three strands was assigned to two councillors, along with a number of specialist officers. By definition, we expected to make easier progress with the less revolutionary first strand than in the second and third areas, which require more deep-seated change. This first category is generally referred to as the Corporate Social Responsibly strand, and will form the main focus of the rest of this article.

The second strand entails the Council helping to strengthen relationships between Enfield-based interests to help them derive greater advantage from their dealings with non-Enfield actors. There are two main ways in which this could potentially play out - through the organisation of consumer unions, and through seeking to ensure that more of the value from supply chains is geneated from within the borough. The idea of the consumer organisation is that small and medium-sized enterprises (and possibly residents associations) can join together in order to increase the size of their orders from external providers for things like energy or banking services. This would create a bulk purchasing situation which would put Enfield buyers in a better bargaining position with the external provider. The bigger volume created by getting people to work through a single combined contract means people should get a better deal. The idea for supply chains is to ascertain what links in the chain exist between Enfield-based companies and the different components of products being sold in Enfield - and requiring, as far as this is feasible through the Council procurement system, that companies allocate a percentage of the value of the products they sell locally to local components makers. This is in line with 'local contents ratios' widely used in international business.

The third strand entails the Council using its own capital position (or finding external funding) to help kickstart certain activities that the private sector is failing to undertake yet which are economically viable and in the interest of the people of Enfield. Examples include social housing (using a combination of external pools of capital and a small percentage of the Council pension fund, with future rents being used to remunerate this seed funding); banking (we've started studying the German Sparkasse model - worth an article all by itself!); and even commercial enterprises (for example we're looking at reviving market gardening, specifically at greenhouses growing tomatoes on an industrial scale - why should Enfield continue to import winter tomatoes from Dutch greenhouses when we're capable of doing the same thing ourselves, all the while creating jobs for local people?).

Much of Enfield's regeneration programme is now being conducted within the parameters of these three categories, and we hope to report more fully on the second and third strands in a future article for *Soundings*.

The corporate social responsibility programme

Corporate Social Responsibility may be a misnomer for the first, 'low-lying fruit', strand, but it is more publicisable than the slang description we sometimes use - 'harassing companies'. This defiantly mercantilistic vision weighs the benefits that the London Borough of Enfield derives from big national or international corporations in running their local operations and sets them against the advantages that they derive from trading with Enfield's businesses and 300,000 inhabitants. It then proposes that these large corporations should put back into Enfield some proportion of the profits that they are deriving. Its methodology involves quantifying companies' local operating profits; comparing this with what they feed back into the community; and determining whether any imbalance exists and if so what means of pressure might be applied to redress it.

For the sake of comparability, the decision was made to mainly monitor companies in sectors that provide services to all households or businesses within the borough - large retailers, banks and utilities. We estimated the operating profits that the twenty largest providers in these areas generated in Enfield, and the Corporate Social Responsibility or ancillary benefits that the borough receives in return. (We used operating profits as our reference because they already incorporate the wages paid by the companies involved: some of which remunerate resident Enfield employees; with many remunerating residents from other boroughs.) The results are show in the tables at the end of this article.

The basis for the calculations on retailers was the number of stores operated in Enfield as a percentage of their UK totals. Clearly, some shoppers in Enfield stores come from elsewhere. Conversely, some Enfield residents will also make their purchases in other boroughs. In our view the figures generated by such calculations were a good enough guide to the balance of benefits on either side. The figures for banks were also estimated by taking the number of branches located within Enfield borders and dividing this by the number of branches that each banking group runs nationally. This is a very conservative estimate, given the large amount of banking business that local residents conduct at their places of work, most of which, as aforementioned, are located outside of the Enfield borders. (Note that the major insurance companies have also not been included in the list, despite extensive dealings with our residents.) Analysing relations between Enfield's residents and the utility companies required different parameters, mainly because most do not deal with local residents out of shop fronts. The rough pro-rata calculations therefore involved taking Enfield's 300,000 inhabitants and dividing this by the UK's population of 60 million, to come up with the assumption that Enfield accounts for 0.05 per cent of these companies' national operating profits. Given that average earnings in Enfield are close to the national average, this assumption seems reasonable.

The results show, for example, that Tesco's pre-tax operating profits were £2 billion, of which approximately two thirds were generated within the UK. Of their 2715 stores in the UK, eleven are in Enfield, and we therefore calculated that these stores generated £8.1 million of pre-tax profits. The only Tesco corporate responsibility activities that officers could find in the borough were: a community toilet scheme; some charity fundraising stalls; and a schools and clubs scheme. Looking at the table for the utility companies, we see a total estimated profit from Enfield of more than £40 million, but scarcely any corporate responsibility input. The banks for their part made just under £40 million in profits from the borough, while also giving very little back.

The sum total of the operating profits generated by these twenty corporations through their dealings within London Borough of Enfield can be conservatively estimated at £103.6 million. (And remember that this figure already incorporates the wages that some companies on our list pay to local residents - most notably to relatively low-waged workers in retail banks and supermarkets.) It is also worth mentioning that many companies on this list (particularly the utilities, with the exception of E.On's Brimsdown power station) almost always dispatch call-out staff from outside the borough for services such as ad hoc delivery, installation and/or repair missions. Similarly, a number of value-chain activities that run in our borough do not translate into significant local employment - for example Enfield does not host any of the driver pools or repair services associated with the lorries that deliver retail products to our streets. It is probable that Tesco's headquarters in nearby Hertfordshire employs a certain number of Enfield residents, but this is the exception rather than the rule.

What then remains is a comparison between the companies' locally generated operating profits and their CSR actions. Our programme has therefore involved asking officers to compile information on the sum total of the companies' existing CSR actions, and we are also asking our legal department to research the practicalities of Enfield devising a certification/labelling system akin to FTSE4Good; within such a scheme companies satisfying certain good behaviour criteria would be rewarded with praise (and conceivably more concrete outcomes under the aegis of our new 'sustainable procurement' policy), while companies that did not play ball would become conspicuous in their absence from this list of good citizens (and could conceivably lose the right to bid on certain contracts). Armed with these carrots and sticks, the plan is that designated councillors will then meet with regional directors of the target corporations, explain our calculations, and discuss with them our intention to see as much business as possible steered directly or indirectly to the companies that invest more in Enfield.

While there is no question but that we are sincerely grateful for the CSR contributions that our researchers have identified, it is instructive to compare the items listed in the tables with what the corporations in question have offered elsewhere. A partial search has discovered, for instance, that RBS sponsors a community that is setting up an entire eco-tourism centre in India; BP offers technical skills training programmes in Egypt; and Tesco funds 107 schools of extended education in South Korea, capable of seating a total of 940,000 students. This latter action caught our eye in particular. At the local authority level, most analysis of the UK's post-industrial plight highlights an incompatibility between the job opportunities that are locally available and the skills of the workforce. In Enfield the unemployment rate is 11 per cent, while for youths between 16 and 24 it was 22.2 per cent in February 2012.

A concrete example of the kind of mutually beneficial investment that would qualify within our framework would thus be support for youth training and local employment in growth sectors where an upskilled Enfield workforce should ultimately translate into greater productivity for the companies participating in such schemes. In the energy sector, for instance, it has already become apparent that the main challenge in retrofitting our housing stock with renewable energy equipment has nothing to do with materials, which can be easily imported from Germany - already an indictment on this country's industrial preparedness. Instead, our main problem in Enfield is the insufficient number of local builders with specific training in new installation methods.

To address this, we have contacted local Further Education colleges to ask them to enhance their construction curriculum with environmental building modules targeting school leavers and older professionals. This suggestion was greeted enthusiastically, but as always money will be needed: to publicise the new offer; and above all to fund the teachers and equipment required to implement the programme.

Piquing interest on the part of utility companies in contributing to this funding stream, with the understanding that the workers they would subsequently hire in Enfield would be technically skilled and thus highly productive, would be a perfect embodiment of our new attitude to regeneration. The local authority does not have the funds to train or hire such workers, much less pay for the energy-efficient retrofitting projects that are such a priority for Enfield (as indeed for the ecological and industrial future of our country). Yet as local politicians we can use our voice - and possibly our procurement criteria - to convince corporations to shoulder a fairer share of the financial burdens associated with these transitions. The risk, of course, is that a corporation will simply refuse to play ball with us. That would mean, however, that it might miss out on the benefits accruing to those competitors who are ready to engage. Then there is the fact that Enfield's 300,000 residents constitute, in and of themselves, an extremely attractive market. When push comes to shove, it is unlikely that corporate boards will want to run the risk of losing access to this market simply because, like HAL the computer, the local Council has become self-aware.

Over the past thirty years it has become far too easy for hard-nosed executives to get local authorities to blink first. In this game of oligopolistic poker, we think the time has come to call their bluff. As a wise man of Chicago once said, never let a good crisis go to waste.

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Notes

1. www.tuc.org.uk/extras/GCreport2011.pdf.

2. www.telegraph.co.uk/news/politics/9189492/Its-a-compliment-to-be-a-tax-haven-says-Francis-Maude.html.

Table 1: Corporate responsibility and retailers in Enfield

	2010/2011 pre-tax operating profits	Enfield Stores/ total stores	Prorata Enfield profits	CR projects
Tesco	£2 billion[1]	11/2715	£8.1 million	community toilet scheme; charity fundraising stalls; Schools and Clubs scheme
Asda	£804 million[2]	4/523	£6.1 million	'wants to play an active role'; Edmonton store donated £26K to Starks Field Primary School
Sainsbury's	£827 million[3]	6/1000	£5.0 million	each store chooses local charity to fundraise for e.g. Highlands Village - Chickenshed
Waitrose	£261 million (total)[4]	3/250	£3.1 million	'Community matters' scheme, e.g. Enfield Chase gives £6k/yr to 36 causes
Morrison's	£632 million (total)[5]	2/455	£2.8 million	charity partner - N. Ldn Hospice, hosts fundraisers
Subtotal			**£25.1 million**	

1. Tesco made £3.5 billion in total, and we postulate that two thirds of this is generated in the UK: www.bbc.co.uk/news/business-13137226.
2. www.fairpaynetwork.org/uploadedPDF/Face-The-Difference.pdf.
3. www.fairpaynetwork.org/uploadedPDF/Face-The-Difference.pdf.
4. www.thedrum.co.uk/news/2012/03/07/john-lewis-partnership-sees-operating-profits-fall-despite-64-sales-growth.
5. http://www.fairpaynetwork.org/uploadedPDF/Face-The-Difference.pdf.

Table 2: Corporate responsibility and utilities in Enfield

	2010/2011 pre-tax operating profits	**Prorata annual profits from Enfield residents**	**CR projects**
EDF Energy	£1.6 billion[1]	£ 8.0 million	No specific indications found
Southern Electric	£1.3 billion[2]	£6.5 million	No specific indications found
E.On UK (+ Brimsdown Power station)	£1 billion[3]	£ 5.0 million	School visits, helps with curriculum; donated £1k to LBE Volunteering Event; 'HeatStreets' energy efficiency; free tests
Scottish Power	£1 billion[4]	£ 5.0 million	No specific indications found
British Gas	£632 million[5]	£3.2 million	Swimfit – sponsored national campaign; 'Green streets' £2m nationally (£10k LBE?); support for Enfield MIND
N. Power	£500 million[6]	£2.5 million	No indications found
Thames Water	£600 million[7]	£6.0 million[8]	No specific indications found
BSKYB	£1.1 billion[9]	£5.5 million	No specific indications found
Subtotal		**£ 41.7 million**	

1. www.consumerfocus.org.uk/files/2012/02/Big-6-profits.xls
2. http://uk.mobile.reuters.com/article/rbssIndustryMaterialsUtilitiesNews/idUKLDE74I0UE20110520.
3. www.consumerfocus.org.uk/files/2012/02/Big-6-profits.xls.
4. www.consumerfocus.org.uk/files/2012/02/Big-6-profits.xls.
5. = avg £742m (2010)/£522m (2011): www.telegraph.co.uk/finance/newsbysector/energy/oilandgas/9100084/British-Gas-profits-fall-on-mild-winter-weather.html.
6. www.consumerfocus.org.uk/files/2012/02/Big-6-profits.xls.
7. www.onenewspage.co.uk/n/UK/74r752lr8/Thames-Water-tops-leaks-list-as-millions-face.htm
8. Conversion factor 0.01 = 300K/30 million S England.
9. http://www.stockmarketwire.com/article/4241812/BSkyB-reports-double-digit-growth-in-operating-profit.html

Table 3: Corporate responsibility and banks in Enfield

	2010/2011 pre-tax operating profits	**Enfield branches/ UK branches**	**Prorata Enfield profits**	**CR projects**
Barclays	£ 2 billion[1]	10/1675	£11.9 million	Sponsored 2008 & 2009 Enterprise Enfield 'Innovative business of the year award'; support for Wooden Spoon rugby charity; Enfield Children in Need match funding
Santander UK	£1.8 billion[2]	6/1300	£ 8.3 million	Social Enterprise Development Award - available in Enfield
HSBC	£1.5 billion[3]	7/1500	£ 7 million	No specific indications found
RBS	£2.0 billion[4]	6/2250	£ 5.3 million	NatWest Community Force (2011) new roof for Enfield Scouts
Lloyds TSB/ HBOS	£ 2.5 billion[5]	5/2902	£4.3 million	Sponsored 2007 Enterprise Enfield 'Innovative business of the year award' ; contribution N. Ldn Hospice gift appeal
Subtotal			**£36.8 million**	

1. £500m/quarter: www.bbc.co.uk/news/business-15517895.
2. Avg £2.3b (2010)/£1.3b (2011, PPI scandal): http://citywire.co.uk/money/santander-uk-profits-down-over-40-after-ppi-scandal/a562492.
3. www.newsroom.hsbc.co.uk/press/release/strong_lending_in_the_uk_under_1.
4. www.investors.rbs.com/download/announcements/announcement_23feb2012.pdf.
5. Estimated from figures given in http://blogs.reuters.com/breakingviews/2012/02/24/lloyds-return-to-form-will-be-worth-the-wait/.