

OWNING THE ECONOMY



COMMUNITY WEALTH
BUILDING 2020



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CLES is the national organisation for local economies - developing progressive economics for people, planet and place. We work by thinking and doing, to achieve social justice and effective public services.

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Introduction

Covid-19 has provided a stark reminder of the extent to which mainstream economic development has failed us. The present crisis has exposed the distressed state of our local economies and the weakened condition of the local public sector in parts of the country, following decades of austerity and underinvestment.

Far from delivering on the promise of prosperity for all, our economic model too often leaves many people less secure and worse off – serving to enrich the already wealthy few and doing little to address climate emergency. In the face of unprecedented economic challenge, we need to reset and build a new economy: one in which wellbeing stands above economic growth.

To date, such a commitment has been absent at the UK national government level. Nevertheless, as the impact of lockdown continues to wreak havoc on our local economies, community wealth building is advancing below the radar of the national policy debate, foreshadowing the truly progressive economic approach we so urgently need.

What is community wealth building?

Community wealth building is a response to the part failure of traditional approaches to economic development – namely, the assumption that as the economy grows, wealth for all will flow. Far too often, however, this fails to materialise. Instead, traditional approaches facilitate a system where wealth that is generated through local economic activity is extracted from the locality by large national and multinational companies who are increasingly based offshore.

As a response, community wealth building is a people-centred approach to local economic development that aims to reorganise local economies so that wealth is not extracted but redirected back into communities.

Central to this is the intention to replace large national or multinational businesses – which focus on maximising profits to distant shareholders – with locally productive forms of business. These “generative”

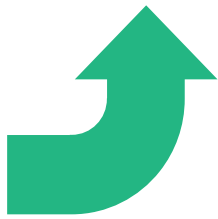
businesses are firms in which the wealth created is shared broadly between owners, workers and consumers, allowing wealth to flow through to local people and places. This means businesses like small to medium sized enterprises (SMEs), co-operatives and social enterprises.

Community wealth building is also partly focussed on the economic power of local institutions to support local areas and their communities. Commonly referred to as anchor institutions, the way in which these large, locally-rooted organisations such as councils, hospitals, universities, colleges and housing associations spend their money, employ people and use their land, property and financial assets can make a huge difference to a local area.

With Covid-19, we have seen an amazing response from communities, with energy, solidarity, empathy and a genuine belief in the power of working together. However, this power needs to be harnessed. With the main economic crisis unfolding at pace, we now have private equity firms waiting in the wings to snap-up distressed business assets and take an even greater ownership stake in our economy. The stakes are high and to prevent us from falling into an “Amazon recovery”,¹ where big businesses and corporate behemoths are the winners, we must seek to animate the power of the community within the commercial economy.

Here then, councils must forge a new kind of municipalist role for local government, one which uses the levers of the local state to advance economic, social and environmental justice.

Five pillars of community wealth building



Finance

Increase flows of investment within local economies by harnessing and recirculating the wealth that exists, as opposed to attracting capital.



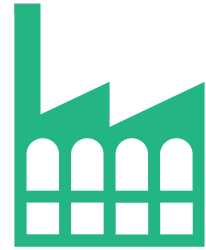
Land and property

Deepen the function and ownership of local assets held by anchor institutions, so that financial and social gain is harnessed by citizens.



Spending

Utilise public sector procurement and commissioning to develop dense local supply chains of businesses likely to support good employment and retain work locally.



Workforce

Exercise fair employment practices and work to develop a more just labour market to improve the prospects and wellbeing of local people.



Building the generative economy

Develop and grow small, locally owned enterprises which are more financially generative for the local economy - locking wealth into place.

The movement in 2020

In 2020, community wealth building has continued to rise to prominence. We've seen the Scottish Government adopt a national community wealth building approach. In Wales work is underway to understand where all public spending goes and how it could be potentially repurposed to support vulnerable enterprise and local economic sectors. In Newham, we've seen the publication of a community wealth building strategy and the appointment of a director of community wealth building to ensure that these principles are embedded into the borough's economic development and regeneration planning. In Birmingham, we've seen a whole place approach to community wealth building continue to flourish under the auspices of the Birmingham Anchor Network, with a particular focus on utilising this approach to rescue, recover and reform the local economy.

In response to Covid-19, we have published *Own the Future*,² which sets out an achievable vision for the just recovery as well as the social, democratic and economic reform of localities, based on community wealth building principles. In practice, we've seen areas such as Wigan, Lewes the Wirral and North Ayrshire start to apply these ideas to reimagine how we can make local economies work to build back better in the aftermath of Covid-19.

What this document aims to do

In the light of these successes, this publication captures the state of community wealth building in 2020. It presents in more detail the activity described above, before moving to outline the conditions that are required for community wealth building to flourish.

1. Key success stories

The community wealth building movement has ascended to new heights in 2020. Its utility is being harnessed at a national level in Scotland and Wales. In some local authority areas it is now the cornerstone of economic strategy and it is being applied across the country as a key tenant of efforts to reform local economies in the wake of Covid-19.

We now delve deeper into each of these success stories to illustrate how the movement has continued to progress and mature over the last year.

National community wealth building

Scotland is the first national government to adopt a whole scale community wealth building approach in the UK. It is seen as a central component in delivering on the government's wellbeing economy aspirations, and now features in the Scottish Programme for Government.³ Community wealth building is also highlighted in the Higgins report,⁴ which presents the findings of an independent advisory group on the prospects for Scotland's economic recovery in the wake of the Covid-19 pandemic. With a pilot project underway in North Ayrshire and a number of other areas expected to begin pilots within the next few months, the mobilisation of community wealth building is happening fast, assisted by the part time secondment of CLES's CEO to the Scottish Government. The focus of this work straddles all five pillars of community wealth building and it is set to affect change in how mainstream infrastructural investment, business and community development policy and practice is delivered in the coming months.

In Wales, the procurement pillar of community wealth building is being used to progress against the wellbeing goals that Wales is pursuing for future generations.⁵ It is also seen as an important aspect to the protecting and rebuilding of the Welsh economy. Work is underway by CLES and Welsh colleagues to understand where all public spending on goods and services in Wales goes, and how that presently aligns with vulnerable economic sectors and businesses within the Welsh economy in light of the Covid-19 pandemic. Moving forward, CLES will be working with Wales's Public Service Boards to

assess that spending, and how it could be potentially repurposed to support vulnerable enterprises and local economic sectors.

The cornerstone of local economic strategy

CLES is working with the London Borough of Newham to address persistent poverty and entrenched inequality. Newham's approach is rooted in its community wealth building strategy - a pioneering and bold approach that aims to address poverty in the Borough as well as to ensure that investment coming into Newham benefits all residents.⁶ It aims to tackle economic, social and environmental injustice "with an unrelenting focus on poverty in the Borough, as well as addressing racial and gendered disparities". Newham is also applying CLES's community wealth building principles as a key mechanism for responding to the climate emergency. It is, for example, ensuring that new homes built on Council-owned land are equipped to the highest energy efficiency standards to minimize fuel poverty and carbon emissions.

Furthermore, Newham is the first local authority in the UK to create a dedicated role for a director for community wealth building. The Director sits on the senior leadership team and oversees the progressive implementation of the Borough's policy framework. This places Newham in a unique position moving forward. With community wealth building principles deeply rooted in its corporate structure, it has the potential to become the most forward-thinking municipality in this field.

Reimagining how local economies can work after Covid-19

CLES is now working with a number of councils to put the five principles of community wealth building at the heart of Covid-19 recovery plans.

Wigan

In Wigan, CLES has been working with the Council over the last year to harness community wealth building principles to address economic inequalities in the Borough. In light of Covid-19, the Council has recognised that the need to create a fairer and more equal local economy has become even more acute. This is why it has now made community wealth building the central tenant of its recovery plans.

The Council's approach builds on the underlying conviction of the much-celebrated Wigan Deal – that power should be shared with

citizens and solutions co-designed. However, this goes beyond enabling community power as a key tenet of public service reform. Instead, it is about strong partnering with the community to build community ownership within the commercial economy and counteract wealth extraction. In this, we are seeing a reimagining of how we can make local economies work, underpinned by a commitment to return economic power to local people. Going forward the Council has committed to working in partnership with other anchor institutions across the Borough to embed community wealth building principles into procurement policies, recruitment processes and asset management.

Councillor Keith Cunliffe, Wigan Council's Deputy Leader, said:

“The impact of the Covid-19 pandemic has brought the importance of community wealth building into an even sharper focus. The principles of community wealth building will form the basis of our future recovery plans here in the Wigan Borough. Our collaboration with CLES is helping us establish Wigan’s own unique version of community wealth building. It will be the catalyst to put more economic control in the hands of local people and in so doing create an inclusive economy which nurtures and sustains all citizens.”

Lewes

In Lewes, the Council has put the twin goals of community wealth building and sustainable transition from fossil fuels at the heart of its corporate plan. Here again, the pandemic has given renewed impetus to this work, with the Council collaborating with CLES and local partners to seize the moment to build back a socially and environmentally sustainable local economy. These plans are heavily focused on mobilising Council assets – including land, property and Council housing investment – to shape and grow businesses and organisations and create economic opportunities and lifelines to the people of Lewes.

Zoe Nicholson, Leader of Lewes District Council said:

“We can emerge from the adversity of the pandemic by seizing the opportunity to change course and create something better than before. Working with CLES to

bring about a profound reset of the Lewes economy is at the heart of how we will go about this – utilising community wealth building ideas and practice to build a greener economy and address the inbuilt inequalities in our existing economic systems.”

Wirral

In Wirral, which hosted the 2019 Community Wealth Building Summit,⁷ community wealth building has been the defining characteristic of the local economic approach for several years. Three years into the relationship with Wirral, CLES is now supporting the Council to explore how to embed Own the Future⁸ ideas into their Covid-19 recovery planning. Wirral Council published a Community Wealth Building Strategy in early 2020, which included plans to develop anchor procurement, repurpose local business support resources to focus on community wealth building and to participate in a North West Community Bank. The challenge now is to turbocharge these ideas in the new economic context and ensure that community wealth building principles are at the heart of building a more generative and sustainable economy.

Janette Williamson, Cabinet Member for Finance on Wirral Council said:

“Covid-19 has devastated our communities and local businesses. It has laid bare the fault-lines in traditional, liberal economics. Wirral has already begun its community wealth building journey with the launch of our strategy in February 2020, and with our Community Bank. We will focus on progressive procurement, partnership working and the best use of assets to benefit the community. My vision for the Borough is that we embed the values and vision of community wealth building to underpin our local economic recovery strategy. We must put the community at the heart of our post-Covid-19 regeneration and work with local independent businesses and social and creative enterprises to ensure we keep wealth within the Wirral. Community wealth building will help us build an ethical, healthy and resilient local economy going forward.”

North Ayrshire

North Ayrshire worked with CLES to develop recommendations on how it could become a community wealth building council. These recommendations now form the basis of the Council's community wealth building strategy and are a vital component to their Covid-19 recovery and reform effort.

The Council has formed the North Ayrshire Community Wealth Building Commission to drive forward progress on community wealth building. The Commission includes representation from senior elected members, Council services, the Health and Social Care Integration Joint Board and Community Planning Partners (CPP) including major anchor institutions.

The £251m Ayrshire Growth Deal includes a £3m fund which will establish the region as a pioneer in community wealth building. The project will develop an Ayrshire approach to community wealth building that enhances wealth, ensures fair and meaningful work, and creates successful places throughout the region. All Ayrshire Growth Deal work will be taken forward through a community wealth building lens to maximise the impact of the deal.

Council Leader, Cllr Joe Cullinane said:

“We want nothing more than a North Ayrshire that is free from inequalities and deprivation. Community wealth building can be the foundation for us to build a new economic model for North Ayrshire – one which keeps money circulating in North Ayrshire and creates good, well paid jobs for local residents.”

Whole place community wealth building

Although CLES's work in Preston has come to define the notion of a whole place approach to community wealth building,⁹ we are seeing a number of other localities that are now harnessing the power of local anchor institutions acting in concert. In Birmingham,¹⁰ CLES established the Birmingham Anchor Network to support seven participating anchor institutions to maximise the benefit they bring to the Birmingham economy. The network, which represents seven of the city's largest institutions, a combined workforce of over 50,000 people and budget of over £5bn, has recently released an action plan

which responds to the impact of Covid-19 on the Birmingham economy.¹¹ This co-ordinated response is believed to be the first of its kind anywhere by a network of anchor institutions.

The Birmingham Anchor Network Action Plan¹² builds on two years of work developing the Network by CLES, funded by Barrow Cadbury Trust, the independent charitable foundation for socially just change. Last year the members of the Network committed to progress joint action to utilise their spending power, workforces and land and assets to build a more inclusive and equitable city economy.

By collaborating on work in key areas of procurement, employment and the management of land and assets, these institutions are now helping to shape Birmingham's economic, social and environmental destiny, with a particular focus on rescue, recovery and reform in the wake of Covid-19.

2. Ingredients for success

The above examples of community wealth building activity highlight the progressive edge of the movement in 2020. This activity continues to push the current economic system and policy context and its success is contingent on a number of enabling factors: purposeful intent to build inclusive local economies; the importance of intermediaries and change agents; and the ethos which underpins a whole place approach to community wealth building. We now outline the importance of these factors in more detail below.

Inclusive economies – redefining economic success

Key to all of the above examples is a commitment to detach economic success from the idea of economic growth – namely, that if the total output of the economy is increased, then all will be well.

Traditionally, Gross Domestic Product (GDP), which is used to measure the total economic output, has long been used as the leading indicator of economic health. Unsurprisingly therefore, local economic development tends to focus on increasing this output locally and the pursuit of economic growth is typically the cornerstone of your average economic strategy.

Yet it is so often the case that although the economy may be performing well in GDP terms, this success excludes many people. From 1980 to 2017, the UK's GDP rose by 100%,¹³ yet we have rafts of evidence which highlights the fact that beyond GDP growth, the economy is failing:

The 2019/20 edition of the Joseph Rowntree Foundation's annual report on poverty across the UK showed that 14 million people are

now living in poverty – more than one in five of the population, including four million children and two million pensioners.¹⁴

Zero hours contracts have hit a record high – with almost a million people now having no guaranteed work from one week to the next.¹⁵

The refreshed Marmot Review revealed a stalling life expectancy for the first time in a century.¹⁶

In short, economic growth alone will not address these wider economic and social challenges. Furthermore, economic growth also produces negative externalities such as waste from production and consumption, pollution, the depletion of natural capital and loss of biodiversity.¹⁷

In the light of today's intersecting social and ecological crises, it is clear that economic growth is no longer fit for purpose as the defining measure of an economy's success. We should now focus on the qualitative nature of our economic activity and how this activity is working for people, place and planet. This is why at CLES we talk about the importance of inclusive economies, focused on social goals, environmental sustainability and economic prosperity for all.

Moreover, in the examples highlighted above it is this inclusive economy ambition which provides an essential driver of the progressive community wealth building activities that we describe. As such, Wales, Scotland and Newham, for example, have all adopted well-being metrics to chart their economic success beyond growth and ensure that the economy is working for everyone.

The importance of intermediaries and change agents

In addition to a strong commitment to building an inclusive economy, the presence of organisations and people as change agents is a necessary condition to enabling progressive action at scale.

It is widely accepted that merely pushing knowledge or evidence from one set of users to another – in the form of guides or basic training exercises – does not successfully support emerging practice or focussed action.¹⁸ The rules, cultures and realities that dominate the day to day lives of people working in particular organisations often make it difficult to implement new ways of doing things. New, sometimes complicated, information arranged in a particular and apparently logical order needs to be digested by practitioners and made sense of in its own context.

To help navigate change within these cultures and rules, we need intermediaries, champions, change agents, facilitators and opinion leaders. These are the kind of individuals who can influence others towards best practice, helping them to make sense of situations and information while navigating through different organisational contexts.¹⁹

In all of the examples highlighted above, the role of intermediaries has been crucial – this has involved CLES, in one form or another, working on the ground with local areas to help change practice. It also continues to be embraced in areas like Newham with the appointment of their director of community wealth building.

In Birmingham – for example – the mobilisation of community wealth building knowledge and practice has been turbocharged through the appointment of a “community wealth builder in residence”. Funded by the members of the Birmingham Anchor Network, this role provides an intermediary who can work between the various institutions to share learning and mobilise progressive anchor practice in a range of different contexts.

The power of anchor institutions

In the light of Covid-19, the idea of a whole place approach to community wealth building has grown significantly. Whilst it is most prominent in the Birmingham example, it is also a key theme in the majority of the other examples above: at a national level in Scotland, in Wales through Public Service Boards, which are in essence de facto local anchor networks, and in Wigan and the Wirral’s Covid-19 recovery plans.

The role of anchor institutions is rooted in institutional economics,²⁰ particularly the notion that institutions can shape economic activity and behaviour. This theoretical bedrock sparks a different way of thinking about institutions and the influence they have on people and society, positioning anchors as a powerful force for social, economic and environmental justice within a locality. These organisations therefore affect the social determinants of health – that’s to say, the conditions in which people are born, live, and work.²¹

Recognition of the role that anchors can play has been growing steadily and is now advancing at a national policy level – particularly in health and higher education, for example. Our work with The Democracy Collaborative and the Health Foundation on health institutions as anchors has informed a commitment in the NHS Long Term Plan to work with sites across the country to identify good anchor practice that can be adopted across England.²² A recent Civic Universities Commission report highlights the potential for Higher Education

institutions to operate as anchors in place,²³ delivering significant local, social and economic benefit.

Post-Covid-19 recovery

A whole place approach to community wealth building offers economic ballast to local economies. As we to move through the Covid-19 pandemic, the adoption of proactive anchor strategies is being amplified by two factors.

First, public sector employment is likely to be hit less hard than in the commercial sector, meaning that the percentage of public employment in local economies is likely to increase. Nationally, 16.5% of all people in paid work are employed in the public sector.²⁴ The collapse of certain parts of the commercial sector is likely to take many years to recover meaning that, in the intervening period, public sector jobs will have more significance within the local economy.

Second, anchor institutions take on additional importance in a recession because they may be the largest source of demand for goods and services left in local economies. As with employment, this means that the financial power of local anchor institutions will become more important, allowing them to act both as purchasers of goods and services in the local economy and as investors.

3. Conclusion

Community wealth building is gaining momentum in towns and cities across the UK. It has been spearheaded by those who see the failings of our current economic development model and have cultivated a new, democratic and socially just way of doing things.

In a post-Covid-19 world, this approach is desperately needed. We are in an unprecedented crisis, which will change our lives, our society and our economies forever. We recognise that the pursuit of community wealth building principles and practice is far from easy. They run part counter to the dominant orthodoxy of local economic development and the thrust of much UK-wide national policy. But if we are to build an economy that works for communities, that works to address climate change and creates resilience where there is risk and precarity, then this is the approach we must take. With community wealth building, we have a pathway through an uncertain future and the promise of an economy which truly works for all people and the planet.

How we can help

Diagnosis

Local supply chain

Analysis on the impact of Covid-19 on your supply chains and the role procurement and commissioning will play in local economic recovery.

Labour market

Mapping of at-risk sectors and geographies and possibilities for skills transfer to new growth sectors.

Assets

Reviewing your asset register to determine how it can support local economic recovery.

Local Economy Explorer

Determine how you can repurpose your local economy using bespoke data tools.

Community wealth building

Evaluation and assessment via a rapid deep dive on strategies and actions needed to bend and scale existing policy to support recovery and reform.

Economic resilience

Understanding the composition, influence and relationships of the private, public and social sectors using CLES's models.

Local Green New Deal/Local Industrial Strategy

Developing sectors and skills, business diversification programmes and asset-based transitions for a greener and fairer future.

Place-based strategy

Working with localities to understand and analyse place specific issues (i.e. neighbourhoods, district centres, town centres).

Recovery to reform

Networks

Engaging with and convening anchor institutions to build effective networks.

Impact

Mapping the local social, economic and environmental impact of anchor institutions.

Input

Exploring how anchor institutions can contribute to recovery and reform plans.

Anchor institution strategies

In addition, CLES can offer strategic advice, training and capacity support, acting as a guide and critical friend. If you would like to discuss this, or any other work, please [get in touch](#).

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