Community Wealth Building **Centre of Excellence**

CLES

Community wealth building: a history

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Community wealth building reorganises local economies to ensure they are best placed to tackle the inequalities and disadvantages that are now, more than ever, so acutely felt by people across the UK.

Over the course of the last decade, community wealth building has advanced from being a marginal sport. It has blossomed into a widely-adopted corrective to an economic model that has left too many people worse off, enriched the already wealthy few and propelled us further down the road to ecological disaster.

To celebrate this ever-flourishing movement, CLES has produced two podcasts looking at the past, present and future of community wealth building. The first of these focuses on the provenance of the approach and, in this, we felt there was an important story to tell. A lot of people have heard about the "Preston model" but few are clear about its history, and how that relates to the movement we see now. Yet this wider historical context contains a series of important lessons.

This transcript is our attempt to document these lessons. In part, for posterity but also to provide a shareable resource to help fellow travellers in the movement deepen their understanding of community wealth building, and to inspire the uninitiated to take their first steps. It joins the extensive library of resources already available through the Community Wealth Building Centre of Excellence, which takes in practice guides, case studies and policy provocations.

After providing a brief introduction to the concept of community wealth building, the transcript traces the origins of the approach through the "thinking and doing" work of CLES over the last 13 years. It begins with an account from Mathew Jackson, CLES's Deputy Chief Executive until 2018, who explains our early progressive procurement work with Manchester City Council, which started in 2008.

It then gets into how CLES's understanding and articulation of community wealth building began to crystalise after we took our experiences from Manchester and married them with some learning from our friends at the US-based think-tank The Democracy Collaborative and the work they had done in Cleveland, Ohio.

As we explain, this led to our formulation of the five fundamental building blocks of community wealth building, what we call its "pillars": plural ownership of the economy; progressive procurement; fair employment and just labour markets; making financial power work for local places; and socially productive use of land and property. We then document how, armed with these principles, CLES came to work alongside Preston City Council on the celebrated Preston model.

Finally, we bring the story up to date, documenting interviews with two of the places who CLES have supported to adopt a community wealth building approach in recent years – the London borough of Newham and the Scottish county of Clackmannanshire.

As all of the examples below demonstrate, a political economy narrative and moral framing remain the consistent underpinning of community wealth building. What does not remain consistent, however, is the context-dependent calibration of the five pillars listed above: there is no one size fits all approach to community wealth building. In many ways, it is this recalibration around a progressive heart that has made spearheading the approach in the UK over the last decade so exciting and inspiring for us here at CLES. We hope this transcript leaves you similarly excited and inspired.

Enjoy!

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Tom: Community wealth building. Do you know what it is? Have you heard of it? If you have, then hopefully this series of podcasts will help to deepen your knowledge and understanding. If this is the first time, then fear not: welcome to the movement.

In a nutshell community wealth building is an intentional reorganisation of the economy – and particularly local economies – to ensure that communities have more ownership over the wealth that's being generated in their areas. It's about how we use the leavers of the local state to change the nature of ownership within the economy so that there are more SMEs, more social enterprises, more co-operatives and more community businesses.

We thought we'd start by looking at some of the historic problems that community wealth building tries to address.

At CLES we've been working on local economic strategies since the day we started in 1986, but the heritage of community wealth building in the UK relates to the fact that by the time we got into the noughties, we were becoming increasingly aware that traditional approaches to economic development were failing.

It was becoming clear to us that decades of attempts to bring big players into little places with jazzy marketing and elaborate plans to encourage the presence of big corporates (as well as it inward investment from overseas) rarely appeared to result in an increase in wealth and opportunity for the people who needed it.

This led us to thinking: is there another way that we could encourage local economies to develop? Were we looking outward when we should have been looking inwards? Was there a way that we could use the leavers of the local state to encourage local economies to develop from within and to do that in a way that was inclusive rather than exclusive?

I picked up this story with **Matthew Jackson, independent policy advisor and CLES's Deputy CEO until 2018**. Matt told me about CLES's work with Manchester City Council, which started in 2008. This work involved a particular focus on how local councils can use public procurement as a tool for developing fairer local economies.

Mathew: Rather than being focused on investment, we started to think about existing wealth.

One of the key components of existing wealth within a place is what local authorities spend through their procurement processes. In the UK local government spends about £80bn a year buying goods and services.

What we didn't have an understanding of – at that point – was what impact that spending had upon local economies, and the wider impact it had through the organisations that were delivering those goods and services. What we wanted to do was really try to understand – in a particular place – where that procurement spend went. We started working in Manchester in 2008, to understand where that money was going.

About £357m of that spending was within the local authority boundary, in Greater Manchester. But then what happened to it once it reached the supply chain? What were those organisations doing with that resource and what outcomes were they delivering against? Where do they create jobs? Where do they create apprenticeships? How to they provide support to the voluntary and community sector?

What we were trying to do was re-democratise economic development. All places across the globe face significant challenges, whether that be around poverty or inequality. We see the harnessing of existing wealth as a key way of addressing some of those big wicked issues our places face. So it's down to working politically with local authorities and other institutions within places to change their behaviour, to change the way in which they approach economic development.

Tom: As Matthew alluded to there, the problem we were starting to notice through the work we were doing in Manchester was that spending on goods and services wasn't always translating to local jobs and fair work for people. In Manchester, we were able to help the Council to address this, but we were starting to think about other large public sector organisations and the role that they could potentially play through their spending.

Around this time, we were introduced to the work of The Democracy Collaborative, and what they were doing in the US to harness the power of these large anchor institutions for the benefit of local places. **Ted Howard, Co-Founder and Principal at The Democracy Collaborative** shared some of his reflections on the work that they were doing in the city of Cleveland, Ohio.

Ted: 35% of the entire population of Cleveland – about 390,000 people – live below the poverty line. It's a city that has great, great challenges and continues to lose population through the process of de-industrialisation. But it's a community of great assets as well. And innovation. And one of the innovations that's taking place in Cleveland, that The Democracy Collaborative helped to start about 10 years ago, is called "the Cleveland model".

Our insight was that, even though there's great poverty in Cleveland, Cleveland has tremendous resources in the form of its legacy anchor institutions. That is, the institutions that were built at a time when Cleveland was a wealthy manufacturing powerhouse back in the 30s, the 40s and the 50s. And some of these are major multi-billion dollar institutions, like the Cleveland Clinic University Hospitals, Case Western Reserve University and art museums, like the Cleveland Museum of Art. Together this small group of institutions purchase more than $3bn of goods and services over a year. And yet these institutions are surrounded by six neighbourhoods, comprised of 50,000 people, with a median household income of $18,500 for a family of four. The US federal poverty level is $22,500.

So this is a very poor community. And yet right in the middle of it there is $3bn circulating.

So we created a strategy to capture as much of that money as we could and drive it locally for community benefit. We organised a group of stakeholders, the anchor institutions: the city government of Cleveland, local philanthropy and a number of NGOs and community based organisations. Together we started a strategy called the Greater University Circle Initiative, designed to build wealth in the city of Cleveland.

One of the strategies being deployed by the Greater University Circle Initiative is called the Evergreen Co-operatives. The Evergreen Co-operatives are a network of for-profit, community-based, worker owned firms that are intentionally designed to provide goods and services to our large anchor institutions: those big institutions that I just described that have billions of dollars flowing through them and are permanently rooted in our community. We locate the businesses in neighbourhoods where people who need jobs live and in low-income neighbourhoods, because one of the principles of community wealth building is that place really matters. So we put the jobs where the people are.

We've started, to date, three co-operatives. One is called the Evergreen Co-operative Laundry. The second is a renewable energy company called Evergreen Energy Solutions. And the third is a large food production hydroponic greenhouse, three and a half acres under glass, right in the heart of the city of Cleveland on 10 acres of land, that's producing 3m heads of lettuce and 300,000 pounds of basil for the local food economy.

And all three of these companies are owned by the people who work within them. They get a Living Wage, benefits and profit sharing. This is an ecosystem. Not a one off project, but a new kind of economic development machine that can produce community wealth and social value for the community.

Tom: So Ted was talking about a new kind of economic machine, and this was a bit of a revelation for us at CLES. It nurtured the sense that the work that we'd been doing on local government spend to support models of local business ownership, that keeps money circulating in the local economy, could be scaled up and amplified by working with these other large local institutions, or anchor institutions as we call them.

In terms of these models of local business ownership that keep money circulating: Ted spoke about co-operatives, but there are other organisations to be mentioned here, like social enterprises, community businesses, and actually SMEs as well. In short, any business, which is not wedded to the demands of distant shareholders who extract profit out from the local economy often while harming the planet.

At CLES, we started to develop this thinking and – inspired by the work of The Democracy Collaborative – started to articulate the different ways in which anchor institutions could adopt progressive practices to create fairer economies in their place. Clearly public spend is a big part of this, as is encouraging locally rooted businesses, but actually there's more: the employment practices that anchors deploy; the land and assets they hold; the financial power they wield through pensions and other investments. Taken together, for CLES, these pillars make up the fundamental building blocks of community wealth building.

Now Ted told us about how this approach had worked in Cleveland, but does it translate to the UK, where often the political and economic context is very different?

Well, those of you who've heard of the Preston model – and the work CLES did to develop this – will know that the answer to that question is a resounding yes. But I wanted to delve a bit deeper into how that work came about. I spoke to **Neil McInroy, CLES's outgoing Chief Executive**, who has worked with Matthew Brown, the Leader of Preston City Council on community wealth building in the city since its very inception.

Neil, could you start by telling us about the background to the Preston model, from the CLES perspective?

Neil: Well, the background was that we, for many years, have been interested in the whole issue of the role of public spending and how it addressed wider economic, social and ecological problems.

Up to that point, we'd been working singularly with local authority spending, housing association spending and so forth. We did some work around 2011 in Belfast, which looked at a number of the larger, public sector organisations. We did an early assessment of that spending and where it was going in Belfast and how they could do more with that but that didn't go forward.

Then Preston – who are members of CLES and were also in a hole, in a literal sense, in that their approach to develop their city centre had fallen through, through a developer pulling out of their activities – they wanted a solution for how they could economically and socially develop Preston. And in that we landed on the idea that we could look at Preston and consider the totality of public sector spending across a range of organisations and how we could turn the dial on that and redirect some of that spend back to Preston businesses and enterprises.

Tom: You mentioned this idea of total public expenditure then. Could you tell us a bit about what that work actually looked like on the ground in Preston?

Neil: Initially in Preston we were obviously looking at Preston City Council as a spender and purchaser in the local economy. But, of course, Preston's a very small council – I think it was roughly, at that time, about a £20m budget – but there's a range of other larger anchor organisations in Preston, including the two colleges and the University, the registered social landlord, Lancashire Council itself and the Police and Crime Commissioner.

And so we thought that we could bring them into the orbit of the work. Then we could have a lot more money to play with. In totality they have about an £800m spend, across all those organisations. And so we started to work with them to understand where their spend went and how much was leaking out of the Preston and Lancashire economy. And then we were considering how we could work with suppliers, so they could embed more into those contracts and ultimately improve the flow of money within the Preston and Lancashire economy.

Tom: Could you maybe tell us a little bit about what the process of engaging with the anchor institutions actually looked like?

Neil: Well, this gets into the granular detail. You're dealing with changing, not just the spend, but the behaviours of procurement departments. So we initially went round to speak to the senior people in these organisations to try and convince them of the ideas around the benefits of public spend and procurement, and also the wider ideas around community wealth building. So there was quite a lot of engagement with senior people, like vice chancellors, chief execs and so forth, to get their buy-in.

And then we started to work with the procurement departments themselves to understand exactly where the spend was going. And that all took a lot of time, there was a lot of data work to be done. But then gradually we started to bend that spend towards local enterprises and local businesses by encouraging those suppliers to bid, and also some change to the procurement practice itself.

At the start of the exercise 5% of that £800m was being delivered by Preston based suppliers, and in Lancashire it was 39%. Through the course of that three years of work it moved from 5% to 18% in Preston and from 39% to 79% in wider Lancashire. In real terms that was a repatriation of spending of £70m back to the Preston economy and £200m back to the Lancashire economy.

There were two main things here. Firstly, changing procurement practice in terms of how they allot contracts, but also encouraging Lancastrian and Preston businesses and enterprises to bid into those contracts. There was no favouritism here. This was basically encouraging those suppliers. We didn't say it could only be local firms or Lancashire firms, it was just encouraging those firms to actually bid that meant we saw that raise in spend.

Tom: And what about other outcomes off the back of that? Did that translate into more jobs for Preston?

Neil: Yes, it did result in more jobs. As part the of idea of getting more Lancastrian firms to bid and win those contracts, there were also stipulations as part of those contracts to encourage things like the Real Living Wage, working to tackle youth unemployment and so forth. I think over the piece there have been around 4,000 employees who now receive the Real Living Wage through this process and also we estimate around 1600 jobs brought to the Preston economy.

Tom: Back to community wealth building – you've reflected on the procurement pillar and the employment pillar. Did Preston look at any of those other pillars of community wealth building as part of the work that the Council initially did?

Neil: Well, the initial starting point for Preston was that procurement pillar, but also it was the entry point, in a way, to the other four pillars of community wealth building.

Preston are involved in developing the North West community bank, they've been involved in developing a program of co-operatives and municipal energy, bending their pension fund towards local investment opportunities, including a hotel.

Tom: In terms of some reflections then, what are some of the key takeaways from CLES's experience in Preston?

Neil: Well, there's a number.

I think firstly, there's something very important about how there's been quite a lot of coverage of the Preston model, but for many years – including the four and a bit years we were working there – it was pretty unsung and nobody was really paying attention to Preston. And that's when a lot of the real hard graft got done. A lot of this is unglamorous. It's data work. It's advocacy work. It's changing how people do things. The devil's in the detail here and I think one of the lessons was that this is not easy. This is hard work and it takes time.

I think the second learning is that you've got to start somewhere. And we started with procurement and it sounds awfully boring. I actually think procurement's pretty sexy, but that's where it started and it seems pretty boring.

But you've got to start somewhere to turn the dial to create progressive economic and social and ecological outcomes. And I think we shouldn't be scared, anywhere, of starting something that's progressive, no matter how small, because it can build into something bigger.

I think the other lesson is that Preston is not a blueprint. I think the Preston model is bespoke to Preston. There's transferable lessons about the general approach to community wealth, general lessons about the approach to economic democracy, general things that are in the five pillars, but it's not a blueprint because each place has its own particular economic, social, and ecological circumstances. They've got their own individuals, their own institutions, they've all got their own behaviours and cultures. So very much not a blueprint. It's an inspiration and there's lessons to be learned, but it's not something you just translate from Preston to somewhere else readily or easily.

Tom: So there's not a one size fits all blueprint for community wealth building, but I guess leadership and particularly political leadership is really important here?

Neil: I mean, clearly yes… but not solely. We met very early on – in 2013 – with the cabinet member for social inclusion, who then became the Leader, Matthew Brown, and the cabinet member for finance, Martyn Rawlinson. We met them and clearly Matthew and Martin have both been spearheading this in a leadership way at Preston City Council, and many other leaders were part of this in terms of the other anchor organisations. But also I think, you know, we need to remember the unsung heroes inside the Council itself. The officers who have changed the way they do things and got others to change the way they do things as well.

Certainly we need leaders, we always need good directional leadership that spearheads and shows the way, but, at the end of the day, because of the granular, detailed nature of this work you need to change the culture of institutions. And that means a range of individuals and how they work within those institutions. And obviously, the community itself and businesses all have to play a part. So there is very much a collective hearts and minds. And I'm saying all that without belittling the importance of leadership. It is important, but this would not have been a success just by one leader saying, "this is the way it's got to be". I don't think that's how you change most things, and certainly that's not how you deliver community wealth building.

Tom: So intentful leadership and deep organisational change are key to the success of community wealth building.

But as Neil suggests, community wealth building has no one size fits all approach.

Behind the headlines of the Preston model is the reality that there is no single model for community wealth building and actually over the last few years we've seen an explosion of places doing community wealth building in different ways. From Torbay to the North of the Tyne, Liverpool to Lewisham and into Scotland, Northern Ireland and Wales, CLES has been working with dozens of different localities to help them find their own unique expression of community wealth building.

It certainly feels that community wealth building is moving into the mainstream. But I wanted to look in more detail at why places are taking up the approach. So I decided to speak to two of the leaders in places where CLES has worked recently about their respective community wealth building journeys.

First of all, I spoke to **Rokhsana Fiaz, Mayor of the London Borough of Newham** about the work she has done there, making community wealth building cornerstone of an economic strategy that has replaced traditional metrics of economic success, like GDP growth, with more holistic and inclusive metrics, like happiness and wellbeing.

Rokhsana began by telling me about what drew her to community wealth building, which is very much rooted in her lived experience of poverty, her reflection on the global financial crisis and her experience of being an activist.

Rokhsana: My family background is a story of the immigrant experience. My parents came from Pakistan in the early 60s and my father was very much part of that marginalised labour workforce because of inherent structural racism.

I have experienced both high points as well as low points in my life journey in terms of my own economic security and that of my family, having experienced being homeless, sofa surfing, living in very cramped and constrained housing conditions.

All of those things very much brought into sharp focus issues of economic injustice.

I came across the concept of community wealth building back in 2016. At that point I was a councillor and it prompted me to think about the interface between planning, placemaking, local economies and Newham's population profile, amongst the most deprived communities in the UK.

As I was thinking about the manifesto, I was thinking about all of these things and I wanted to be part of a movement of change that was growing and to do that here in Newham which – for the benefit of your listeners – is located in the most brilliant, amazing global city.

London is the best city in the world, but it's a global city of real contrasts and of real inequality and poverty sitting alongside extremes of wealth. And that just doesn't feel right for me.

Tom: So in this city of real contrasts then, do you want to say a bit more about the specific nature of the challenges that you're using community wealth building to address here?

Rokhsana: Newham as a borough has a population of some 353,000 residents. We are the most diverse population anywhere in the country. 78% of our resident population are from ethnic minorities. It's one of the reasons why as part of our unique approach to community wealth building I've placed the issue of race inequality and gender inequality at the heart of our proposals and plans, as well as ensuring that we are contending with the inefficacy of the labour market and issues that young people in our borough find themselves being challenged by.

We are also a borough where 68% of our resident population live in the private rented sector. When you take into account household rent costs, technically the majority of our resident population are living in poverty. And we also have a situation where we have the highest number of low recourse to public funds family households living in the borough. We have real issues with a grey black economy that exploits sections of our resident community.

We undertook research in 2019 that

up to 36,000 members of our community weren't even being paid the legally required national minimum wage, let alone the London Living Wage. As part of our community wealth building approach we've become a London Living Wage borough. All of our staff are paid the London Living Wage.

Tom: So we're getting into what community wealth building actually looks like in practice. Do you want to say a bit more about that Rokhsana?

Rokhsana: In practical terms what the implementation of our community wealth building agenda has led to: we are calibrating all of our procurement within the community wealth building frame. It's about diversifying our supply chain. It's about making sure that any investments that we make through a variety of our programs, including our housing delivery program, links in with employees locally so that we're developing pipelines for employment for young people, for our existing resident community.

And it's also about ensuring that we have immersed the entire Council and the officer corps that work at the Council with an understanding of what community wealth building means. And it's about how can we optimise the spend of every single Newham Council pound for the benefit of Newham residents?

Tom: That's great, Rokhsana. So what's next then? What does the future of community wealth building look like in Newham?

Rokhsana: Where we see our community wealth building journey going here in Newham is to accelerate it's embedding as part of our institutional practice and making sure that we're mobilising our local anchor institutional partners in a much more substantive way. But also continuing our partnership work and collaborations with other local authorities, be that the London Borough of Hackney, Tower Hamlets or Waltham Forest, who we work very closely with on community wealth building.

The ambition of community wealth building here in Newham is to deepen those collaborations and partnership work and ensuring that the impact and the outcomes that we've set out through is very much felt and experienced by our local resident community. We are working for a real significant and tangible shift in the household income profile and a diminishing of the poverty indicators that exist here in this Borough.

Tom: So that's how it works in Newham, which is, of course, part of a global, ethnically rich capital city where the problems of wealth extraction, race, inequality and poverty all intersect to create a specific set of challenges. Other areas have their own specific challenges of course. One of the newest community wealth building places that we've worked with at CLES is the rural Scottish county of Clackmannanshire. A very different place from urban Newham. I spoke to **Ellen Forson, the Leader of the Council in Clackmannanshire,** about the journey they've been on.

Ellen, can you first tell me a bit about Clackmannanshire and the challenges you face there?

Ellen: Clackmannanshire has pockets of deep rooted poverty and inequalities that have been existing for as long as I can remember, and I've lived here all my life. And they've a long lasting impact on all sorts of outcomes, from health to education and economic prospects, and that really impacts on the local area in so many different ways.

In addition, Clackmannanshire is an area in the country with one of the worst job densities – there's about half a job for every person who lives here. And the jobs are not particularly well paid, they're in the retail and care sectors these days. I think the community wealth building lens will allow us to focus on our internal economy to deliver good quality, well-paid jobs with a focus on fair work.

Tom: So what attracted you to community wealth building as a potential solution to some of those problems?

Ellen: I was attracted to this as it was clear that the traditional models and interventions around economic growth had failed Clackmannanshire time and time again, and if we did want to make a real lasting impact on communities, that it was time for a real change.

I suppose I've always been aware and supportive of using procurement to benefit the local area both financially and in other ways, but I guess I didn't really know there was a name for it or that it covered so many more areas.

Tom: We've recently worked with you to produce an action plan for community wealth building in Clackmannanshire. Do you want to say a bit about that and what's next?

Ellen: Working with CLES on the action plan first and foremost focused our attention on where it needed to be and allowed us to develop a mandate for clear action. It was really great to have CLES in this critical friend role, as they were able to provide a dispassionate view, which highlighted our strengths and weaknesses, as well as opening up the possibilities. And it gave us confidence that's it's OK to look at things through a different lens.

I believe that community wealth building, alongside the Council's transformation plans and our wellbeing economy work, has the potential to make a lasting difference to the area, something that's not quite been achieved before. But we need to recognise that this isn't a quick fix and we need to develop short, medium and longer term plans. The action plan that we developed along with CLES is really helping us to do this.

There's lots of this that we can really hone down on. I think one of the key things that we'll be looking at is gender justice. We all know the roles that women play in society and when we look at the gender pay gap in Clackmannanshire and start to look at the other gender inequalities it will start to make a real difference.

I think it's acknowledged that we're very much at the start of our community wealth building journey. The action plan that we developed with CLES is going to focus on what we've signed up to deliver. I think our next steps are to stop talking about it and get on with it. We know what our challenges are. We know that we're going to come across new ones along the way, but we really can't let that hold us back.

Personally, I think engaging with our partners in communities is going to be key to our success because Clackmannanshire Council can't achieve everything that we need to do in isolation. I've genuinely been heartened by the response from our community planning partners and the genuine commitment to get on board. One of the projects that we're starting to work on just now is a new health and wellbeing complex. That's going to include new leisure facilities, hopefully joint facilities with our health and social care partnership.

I think that this is the opportunity for us to do a project from start to finish with a community wealth building lens and a community wealth building focus. We should be able to hold this up in the future as an area of good practice. Our partners are on board and they're really keen to help us start delivering.

I welcome the opportunity that we've been given in Clackmannanshire to work on community wealth building. As a small local authority you're often overlooked for these sorts of projects and pilots. I think there's a real opportunity to make a difference quite quickly because we are small and we're probably able to see the changes coming through a lot quicker. My hope is that we can start to really lead the way and learn from things, learn from mistakes, put measures in place to address these and really focus on making Clackmannanshire a better place to live.

For all of the examples covered in the podcast, there are significant contextual differences between each area, with community wealth building being adopted in a way that works for each particular place.

Nevertheless, as we said in the introduction to this transcript, these examples should provide pointers and tips for other areas. To this end CLES has a wide range of case studies, policy provocations and practice guides that should help all areas of the UK start to make sense of community wealth building principles in their particular context.

If you'd like to know more, please visit the Community Wealth Building Centre of Excellence.

Thanks for reading.

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