

# This must be the place

A new vision for community wealth and power



November 2023

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## About the Centre for Local Economic Strategies (CLES)

CLES is the national organisation for local economies. Established in 1986, we are an independent charity working towards a future where local economies benefit people, place and the planet.

This will happen when wealth and power serve local people, rather than the other way around, enabling communities to flourish. We have an international reputation for our pioneering work on community wealth building and are recognised as the curators of the movement in the UK.

This publication was supported by the Local Government Information Unit (LGIU) and the National Institute for Health and Care Research (grant reference number NIHR130808).



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# Foreword

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Among the responsibilities that local government has picked up over the years, as councils have increasingly taken on a role as leaders of places, is the responsibility to drive economic growth. Indeed, since 2010 there have been policies, frameworks and mechanisms designed in Westminster and Whitehall to encourage, often to compel councils to do so.

But growth, while important, is not just an end in itself. The benefits should be felt in local communities, in increased wellbeing and opportunities, if it supports local businesses and innovation, or connects people and places that were not previously connected. This cannot be achieved without local government, as it is the institutional form that brings the capacity and democratic legitimacy to enable leadership of local places. But local government is often held back by a poor system of funding, by a dysfunctional relationship with central government, an incoherent patchwork of structures and power and low levels of participation.

At LGIU our members, over 300 local authorities across England, Scotland, Ireland and beyond, consistently tell us that growing the local economy is one of their top concerns. They also understand that the aim must be more ambitious than simply increasing the numbers on inward investment and GDP, but must result in tangible benefits in people's lives. But they also tell us that it is challenging, particularly in financially straitened times. In our most recent survey of local government leaders, chiefs and chief finance officers, we found that activity to support local business growth was at the top of the list of things councils were likely to cut as they struggle to make ends meet.

We are delighted to have supported CLES in conducting the research in this report. It demonstrates how local authorities can play an active role in building a new approach to economic development, taking into account some of the big challenges that manifest in different areas.

The report recommends a well planned and sustainable funding settlement for local government, which we at LGIU completely support as well. This is a vital piece of the puzzle and so much is being lost without it in communities and the public realm. Ditto the further devolution of powers, which we would argue goes hand-in-hand with fixing the finance question. Ensuring that councils are supported to deliver good growth through legislation, rather than compelled through gimmicks or competitive funding streams, would certainly move us forward, as would further empowering councils to shape public spending locally, including through health partnerships. We look forward to working further with CLES, our members and others across the sector to build on the ideas in this report and drive a new approach to economic leadership.

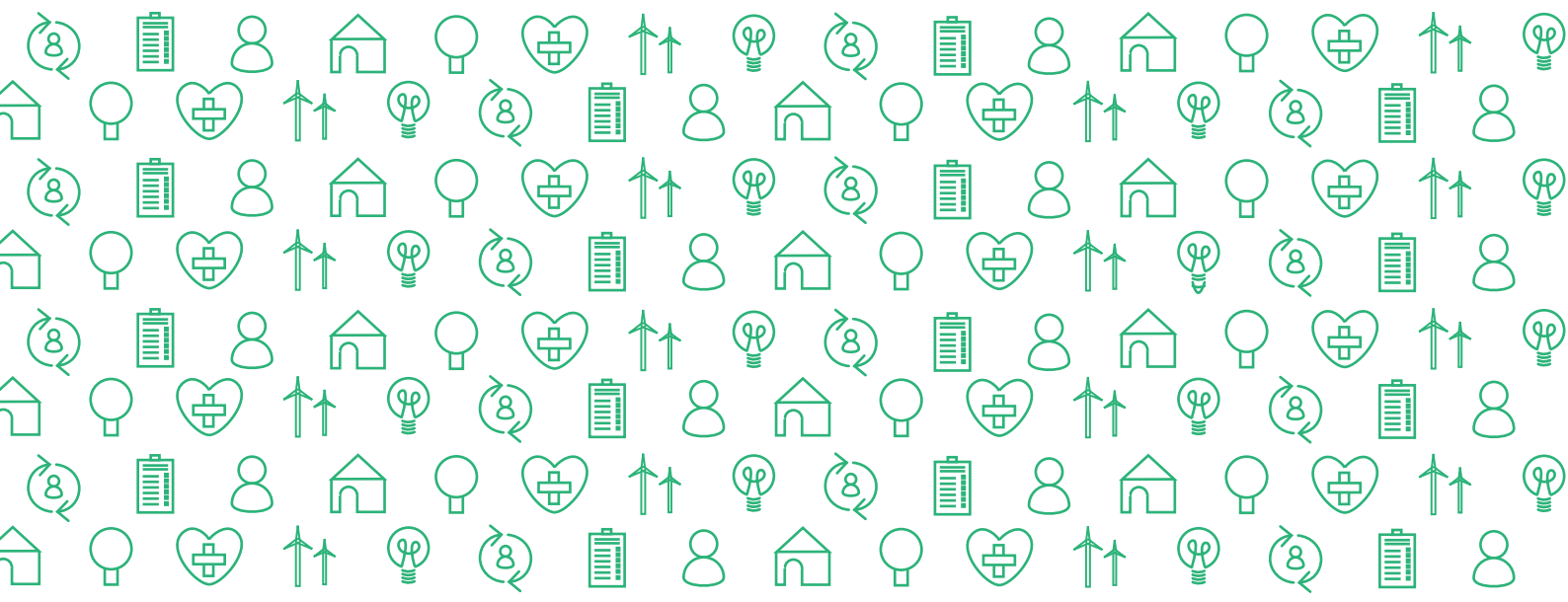
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# In brief

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Weighing up the options when it comes to the stewardship and development of our local economies is extremely challenging for local government. With a growing number of councils now facing bankruptcy, local government continues to be hampered by inadequate funding settlements which in turn affects its capacity and ability to long term plan.

Nevertheless, progressive frontiers continue to advance and in this paper we further develop the argument for local action through the lens of community wealth building: where the wealth that exists, and is created, flows to the people and communities who need this the most, rather than trickling out to those who can best help themselves. We draw upon insights gathered from local councils and other anchor partners from across the UK where, despite the challenges, local leaders are taking steps to build wealth. We illustrate the importance of the work they are doing to intervene to support the local economy and make a number of recommendations for local practice to continue to flourish. We also make recommendations for Westminster, outlining what the next government of the UK should do to empower local government to deliver change at a greater scale and pace.

## Recommendations

### ...for local partners

1. Formalise networks around a shared vision for place
2. Treat assets as more than a commodity
3. Use structure to deliver organisational priorities
4. Scale up the social economy
5. Flex funding to meet your own goals
6. Measure and value impact more broadly

### ...for the next government

1. Provide a long-term funding settlement for local government
2. Devolve more powers from the centre
3. Give the NHS more power to shape local economies
4. Empower inclusive economic development with legislation and policy:
  - A future generations act
  - A green industrial strategy
  - A statutory function for local economic development
  - An ethical framework for place-based special economic mechanisms
  - A community wealth building act

# Introduction

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We live in challenging times. The climate emergency, austerity, growing inequality and political inertia mean that across the UK and beyond, many people and their families are struggling to make ends meet.

And yet, the prevailing national response to these crises is, put simply, more of the same: a focus on driving economic growth.

But if the reality of recent years tells us anything it is that inclusive economic growth is not a given: if an economy grows, not all will necessarily benefit. A case in point can be found in [our recent analysis](#) into how wealth flows in the economy of Greater Manchester.

We choose Greater Manchester here because it has, [in some quarters](#), been hailed as a success story. It's easy to see why: the size of Greater Manchester's economy has more than doubled since 1998 and, in the last decade, the wealth of the most affluent 25% of households across the north west has improved on all measures.<sup>1</sup>

But the other side of the spectrum tells a very different story. For the 25% least affluent households in the north west, there has been no increase in wealth at all. [Our findings](#) highlight a widening in overall wealth inequality across the region and that the wealth generated in the sectors which have fuelled the growth of Greater Manchester's economy flows down to its communities in very different ways.<sup>2</sup> In health and care, for example, 80% goes to compensating the sector's significant workforce, but in the real estate sector, the 3rd largest contributor to Greater Manchester's GVA, 90% of economic output goes into profits and surpluses. The message is simple and clear: not all growth is good for communities.

For our local authorities – who see this play out in both the shiny new skyscrapers and the housing waiting lists, the snazzy market halls and the foodbanks of their places – the question is asked: why do you continue to plough this field? The answer is that most have little choice.

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<sup>1</sup> Wealth data by percentiles are only reported at the NUTS1 regional level.

<sup>2</sup> Five of Greater Manchester's industries are responsible for over half (54%) of this total GVA growth: health and social care; wholesale and retail; real estate; professional, scientific and technical; and, financial & insurance.

Since the onset of austerity there has been an assumption that by cutting public services at the local level, we can simply open up new opportunities for the private sector in order to grow our economy. This has been coupled with a presumption in favour of a market-led approach to regeneration and, with increasing pressure to balance budgets, the removal of more than £15bn from local economies through the sale of locally owned public assets.<sup>3</sup>

Our places have also lost much more in terms of knowledge, understanding, capacity and ambition under the weight of growing centralism. And even with the prospect of a general election in the coming months, there are still few organisations arguing that we need to prioritise investment at the local level. Indeed, [recent commentary](#) has been openly hostile to the idea.

## We need a new commitment to building wealth and power in our communities

This means reinvestment at both the local and national levels. Our local authorities and their partners have a key role to play in economic development and in ensuring that economic growth benefits as many people as possible. Building on emerging practice, they must take a local-first approach to distributing public wealth.<sup>4</sup> This should include a greater emphasis on extracting social value and community benefit commitments through public sector spend and raising the expectations of what benefits places can expect from inward investment commitments from both the public and private sectors. Our government should re-commit to devolving power and funding to the local level and to supporting our anchor institutions to build better lives through legislation and policy.

Our local economies have vast potential to generate good lives for our citizens, now we need to make it happen.

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<sup>3</sup> Billingham, Z et al. (2023). Parallel lives: regionally rebalancing wealth, power and opportunity. IPPR North. [Link](#).  
<sup>4</sup> Goodwin, TL et al. (2022). A Light in the Dark. CLES. [Link](#).

# Community wealth and power now

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In 2023, CLES interviewed representatives from local authorities and their partners in ten places across the UK.<sup>5</sup> Our interviewees represented a range of different economic contexts including urban and rural areas, combined authorities, as well as a range of partners including the NHS.

Our analysis of these interviews identified seven key ways in which organisations are attempting to build community wealth and power.

## 1 Using spend to build better lives for all

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Effective use of procurement spend is one of the five key pillars of community wealth building because, despite more than a decade of funding cuts, councils and other local anchor organisations still need to buy goods and services. Their spending power is now well-recognised as one of the most direct ways in which they can have an impact on the local economy. As a result, many councils are using procurement with greater intent, harnessing their spend to grow and develop local businesses including social enterprises and co-operatives. There are multiple examples of where this is happening, including in social care, housing retrofit and for levelling up projects.<sup>6</sup>

The intentional use of local spend has also provided a means to grow emergent sectors in the economy including low carbon and digital. This work has also enabled anchor institutions to raise the standards of suppliers, for example, through payment of the Real Living Wage and supporting the employment of residents from areas of disadvantage.

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<sup>5</sup> Semi structured interviews and focus groups were supplemented by desk-based analysis.

<sup>6</sup> APSE & CLES. (2023). Getting the most from levelling up. [Link](#).



As one stakeholder explained:

“Yes we are thinking about bringing in private sector investment, but that is only one part of our strategy. The other really important part is building from the bottom-up... It’s all about being realistic that we’re an economy of micro and small businesses and a lot of them need support with basic stuff to grow and be more productive, but also how do they shift their business model to a greener and more local carbon business model, how do we help them become more inclusive employers so they can operate in an increasingly tight labour market?”



This approach is also enabling councils to think differently about how they prioritise their efforts to support the economy with some preferring to focus on “growing their own” rather than pinning their hopes solely upon attracting inward investment.

“By working with SMEs on growing their business and employment by 10% a year you are going to get a more rounded result than spending three or four years chasing an FDI proposition that may not come to pass”



This process is facilitated by the fact that, in the aftermath of the Covid-19 grant funding process, many local authorities now have increased intelligence about local markets and the capacity of SMEs to diversify their activities.<sup>7</sup>

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<sup>7</sup> Local Government Association. (2021). Supporting councils with business engagement. [Link](#).

Our interviewees also highlighted the potential for non-council anchor institutions to support local economic priorities through their spending and use of assets. In England alone the NHS spends around £6bn on consumables annually, including PPE and single use medical instruments. During the pandemic the NHS was forced to turn to local SMEs who were able to quickly adapt their operations to start providing the NHS with the necessary consumables. Post-pandemic, the NHS continues to face disruption to supply chains and, as one practitioner explained:

“If you look at the range of stuff that the NHS purchases, I would say that the economic and the supply chain reliability would tell us that things that it made sense originally to manufacture abroad and bring in, there is a case for some of those things to be now manufactured locally”



The NHS needs to achieve a net zero supply chain by 2045 and in England the new integrated care system structure has an objective to support place-based social and economic development.<sup>8</sup> These policy drivers build an even stronger case for councils to work with the NHS to explore the feasibility of local manufacturing for consumable items that are currently being imported.

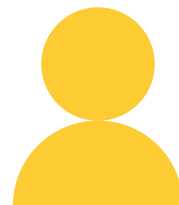
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<sup>8</sup> NHS England. (2020). Integrating care: Next steps to building strong and effective integrated care systems across England. [Link](#).

## 2 Rethinking the role of economic development

In some areas community wealth building now sits at the heart of the council's economic strategy. This change in strategic emphasis has led to a rethinking of councils' economic development function:

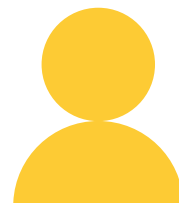
"...bringing together the inward investment, enterprise, business development and property functions so that the team can pursue a more integrated approach to the Council's inclusive economy aims."



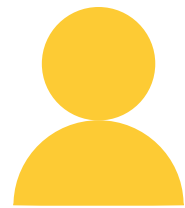
This "rolling together" of functions has meant a move away from individual specialists towards a multiskilled team and increased knowledge around the foundational economy. This is now enabling teams to consider how inclusive and sustainable economic activity can be delivered in a more holistic way, including using procurement as a mechanism for economic development.

Nevertheless, other areas reflected that building the right team to deliver a more progressive form of economic development practice is challenging, particularly when resources are tight or recruitment challenging.

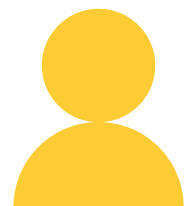
"There's a lot of good will in the Council, but resources are stretched – it's about trying to get people to embed this work into their daily activity"



"We are hampered by recruitment issues in that we can't always recruit people into local authorities to do this stuff... So that stops us with our social value ambitions as I need that person in post to be able to connect with everybody to make sure that anchor institution wealth-building happens"



"It's been a capacity challenge, I've been with the authority 18 months and the past six months has been spent trying to put capacity back into the economic development team and building those relationships back with businesses that we just haven't had the capacity to do"



### 3 Exercising pragmatism with inward investment

Community wealth building principles are also shaping the pursuit and management of inward investment opportunities, based on the idea that a more values-based approach can raise the ambition of investors to support greater local economic inclusion.

"Our focus is on trying to match the opportunities we have on the ground with the right type of investment and the right type of ethos of companies"



“When you speak to investors there’s an increasingly strong correlation between CWB objectives and ESG objectives, maybe a slightly different language but social value is the theme that links both... They need a local workforce if they’re located here and generally they’re quite open to working with us... that then gives us an opportunity to say: what about the Real Living Wage, what about apprenticeships, what about re-skilling and upskilling”



“I think what we do have is a willingness with big inward investment and employers...We would work with them to try and connect them to the employability pathway, to try and support recruitment... We’ve had some success of supporting people into employment through the employability pathway”



There was also scepticism here, however. Competition for foreign direct investment is often ferocious and can end in bitter disappointment and it is perhaps wishful thinking to imagine that ESG goals – individually set and monitored by organisations, with no legal framework for enforcement – can counteract the extraction of wealth from communities. Also, if the last 70 years of globalisation has taught us anything, it’s that big international companies don’t always stick around. Jobs can be easily offshored to maximise shareholder returns, with devastating consequences.

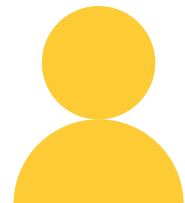
## 4 Using planning to deliver better economic outcomes

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Planning is a statutory function for councils and provides an important opportunity to target economic, social and environmental benefits but, all too often, this opportunity is missed.

The development of a local plan (which in England, sets out an area's long term economic and spatial vision) every five years provides grounds on which local authorities can target the developments that best fit their vision for their place. Without this – and specifically without a local plan with a commitment to building community wealth – it is difficult for local authorities to argue against the legal framework that guides planning decisions.

“It would be a difficult decision to grant permission to someone because they were embracing community wealth building or refuse permission to someone who wasn’t”

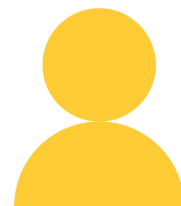


A local authority's ability to extract community benefits will depend greatly on their local plan. However, some research suggests that only 42% of local authority areas have an up to date plan. This situation has got worse across the country as funding for planning departments has been increasingly stretched, forcing many to focus on income generation and development management as opposed to strategic long term planning.

With a local plan there is a significant opportunity for planning to be a means to deliver a bigger impact when it comes to economic, social and environmental benefits but currently, these opportunities are limited by the National Planning Policy Framework which takes a market-led approach to local benefit and many planning decisions can end up being appealed on viability grounds.

In the face of these challenges, it is perhaps not surprising that attitudes to risk and creativity featured heavily in our discussions with practitioners.

“[authorities need to] really understand how they can use the new powers that they have to be more bold, to take more risks and think more creatively about what that may enable them to do. There’s still a huge body of work to be done to really interpret and support other professional colleagues to translate this into their systems and processes”



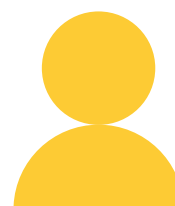
Nevertheless, our interviewees also highlighted examples of where planning was being used to deliver positive economic outcomes for communities.

Islington Council, for example, have consistently challenged gentrification in the Borough by requiring property developers to build 50% affordable housing on new developments. By defending this stance against viability assessments in the High Court, Islington has delivered 2,500 new genuinely affordable homes, including the largest council house building programme in the Borough for over 30 years. In addition, the Council have used funding raised through section 106 agreements to purchase long-leases on properties and then provide office space for local enterprises at a peppercorn rent.

Preston City Council requires developments that pass a size threshold to contribute to local job creation, create training and upskilling opportunities for local people and support local supply chains through procurement. Preston contracts a local social enterprise to monitor delivery, whose services are paid for by the developer.

Practitioners in Scotland also felt that there is increasing flexibility in this space, particularly through the National Planning Framework 4 legislation where community wealth building forms part of the underpinning spatial principles.<sup>9</sup> As one practitioner explained:

“We’re being encouraged to be creative, to take risks and to engage with Scottish Government and other colleagues to do so. Planning is a good opportunity to do that”



## 5 Rethinking regeneration

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Regeneration has taken many different forms in recent decades. From an emphasis on market-led property redevelopment during the 80s and 90s to the neighbourhood renewal strategy and New Deal for Communities in the 2000s which focused much more explicitly on people and communities.

However, since the mid-2000s, regeneration schemes have once again become significantly dependent upon leveraging private sector investment through property and construction to deliver area-based change. Austerity has further exacerbated this trend as councils attempt to use property development schemes to boost their finances so that they are able to pay for essential services.<sup>10</sup>

But some areas have managed to break the mould. As our interviewees explained, when the council has an ownership stake in land it opens up the opportunity to take a more interventionist approach.

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<sup>9</sup> Scottish Government (2023). National Planning Framework 4. [Link](#).

<sup>10</sup> Pike, A. (2023). Financialisation and local statecraft. [Link](#).



"Our strongest influence is if we have land or property, so in the Central Waterfront, which is the main regeneration area of the city, we own the land and we have taken the lead in building speculative offices and accommodation. We have always sought to ensure that any occupier pays the Real Living Wage, or the Scottish Real Living Wage"



"We ask them if you're paying the Real Living Wage and we have aspirations that it is higher salaried jobs over 28 grand. There is a tenancy application process, they have to fill out: how is their business innovative, what are their employment prospects? Are they going to take on staff etc? We also ask them about their carbon ambitions and are they working towards their net zero ambitions or looking at ways of improving their efficiency. We will then assess them and whatever is going to bring the most benefit to the economy, they will score higher"



Salford City Council launched Dérive, a wholly owned council-company set up with £2m of Section 106 funds, in 2017.<sup>11</sup> Working in partnership with local housing associations, Dérive aims to deliver high-quality, truly affordable mixed tenure homes, on Council-owned, under used sites. The homes will be sustainable and provided at below average rent. Dérive has an ambition to deliver 3,000 new council and community-owned homes over the next ten

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<sup>11</sup> Dérive Salford. (2019).  
Dérive business plan  
2019/20. [Link](#).

years, forming Salford's largest council housing scheme for 50 years. This approach also provides the opportunity to leverage additional social value in the form of construction training, apprenticeships and jobs that are targeted to local residents.

In Gateshead, the Council-owned Gateshead Energy Company has been supplying low carbon heat at a lower than market rate to its domestic, public sector and commercial customers since 2017. The company has now secured finance to convert a derelict local mine into a mine water heat pump from the Public Work Loans Board and the Heat Networks Investment Project. This scheme will underpin the future redevelopment of the town centre, with the Council predicting that it will stimulate investment and job creation, as well as becoming a significant trading opportunity to support their financial position.

## 6 Squeezing the juice from national funding

Criticisms of the government's funding allocations through the Levelling Up and Shared Prosperity Funds are now well established but, nevertheless, councils – with few other options to raise funds – are attempting to “make the best of a bad lot”. Often the funding is being used to support those who have barriers to employment, with some emulating the I Can project in Birmingham, whereby jobs are reserved for the recipients of targeted pre-employment training programmes. Some other councils are using the funding to facilitate progressive business support.

However, while these are good examples of a pragmatic response to a flawed funding approach, the short-term nature of the funding provided by the Levelling Up and Shared Prosperity Funds attracted criticism from our interviewees.

“Sometimes government thinks “well, you’ve got a three-year funding programme, off you go to deliver some wonderful things.” I think locally when we’re thinking about changing and shifting the nature of the economy the time frame is 10/20 years. We really need to do some stuff that is very long-term.”



## 7 Using devolution as a platform for inclusive economies

Our discussions revealed how some regional authorities are attempting to integrate community wealth building into ambitious approaches to supporting a more inclusive local economy.

The Liverpool City Region Combined Authority, for example, have implemented business support initiatives to support a broader range of progressive ownership models.<sup>12</sup> The Authority also initiated a commission to determine how public land could be used in the most progressive way.<sup>13</sup> In Greater Manchester, the Combined Authority has now approved the formation of its Inclusive Ownership Platform to “support community wealth building”.<sup>14</sup> However, as our interviewees argued, it is essential that we question the effectiveness of current devolution arrangements, particularly in relation to levels of funding as well as the nature of devolved power.

Ultimately, effective economic development is underpinned by good governance. If we’re ever to see a wider take-up of community wealth building measures, we will need real power and financial means to be devolved to combined and local authorities.

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<sup>12</sup> Goodwin, TL et al. (2022). A light in the dark:

Progressive frontiers in local economies. CLES. [Link](#).

<sup>13</sup> CLES. (2021). Our Land: Findings of the Liverpool City Region Land Commission. [Link](#).

<sup>14</sup> Greater Manchester Combined Authority. (2023). Proposal for an Inclusive Ownership Platform to support community wealth building in Greater Manchester. [Link](#).

“There’s no point devolving the responsibility to combined authorities without actually putting funding in place”



“Even the whole language of “devolution” says it all really, it’s from the perspective of central government – “we are devolving some power to you”. When actually, if we are really buying into this it’s the other way round, decisions should be made at the local level where possible, and only when it’s needed, then you give it to the next level up. Devolution as a concept is completely the wrong way round”



The current government heralded a “devolution revolution” to promote prosperity and growth in 2015, and the Labour Party have recently outlined their commitment to devolution as part of their plans if they were to win the next general election. However, given the complexity of the challenges that our places now face, any government taking power in 2024 must commit to confronting the idea that a one-size-fits-all approach from Westminster will be sufficient.

Devolution is important but future deals need the ability to diverge from the orthodoxy of the Treasury’s economic model which places the emphasis upon agglomeration, and market failure, as well as coming up with sufficient resources to deliver change locally.

# A new vision

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Councils and other anchor organisations are agents of change in our places. With sufficient power, resources and respect, they can deliver better lives for citizens. But weighing up the options when it comes to delivering community wealth and power can be challenging.

The findings above demonstrate that, despite being hampered by the nature of devolved power and inadequate funding, councils and their partners have been pragmatic, attempting to build community wealth and power in the cracks of a flawed model. But they shouldn't have to do that.

Thus, our recommendations come in two parts.

First, we provide six prescriptions for local authorities and their partners who want to build wealth and power for their communities in the here and now.

Second, we provide four recommendations for the next government of the UK for how they can build firmer foundations and enable a new vision for local economies.



# RECOMMENDATIONS FOR LOCAL PARTNERS

## 1 Formalise networks around a shared vision for place

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In our research for this paper, and our wider work across the UK and Ireland, it is clear that many anchor organisations are now coming together to explore how they can pool resources, raise standards, co-ordinate their work and deliver a more people-centred approach to economic change. Shared approaches to key community wealth building measures such as procurement, land and property and ownership are beginning to emerge with tangible outcomes for communities.

Just as heartening are the examples of anchor organisations working together to target public sector jobs towards the people and communities who need them the most, as in Birmingham's I Can project. But there is an opportunity for this work to go even further. For example, local governments could work in partnership with the NHS to explore how they could harness the demand for consumables that are currently being shipped-in from overseas and support a new wave of local manufacturing which generates productive, secure and well-paid jobs.

What is required to deliver on this promise is a clear, shared vision for place. It is imperative that local authorities and their partners in place come together, through anchor institution networks or other mechanisms for collective working, to agree their commitment to better lives. Combined authorities could have a particularly important role here, co-ordinating partnerships, providing an overview of opportunity and of need on a larger scale.

## 2 Treat assets as more than a commodity

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Despite the pressure to sell off surplus land and assets to maximise financial return, councils must recognise the opportunity they present to resist the complications of relying on the market and to take a more interventionist approach to regeneration. An approach which treats land and property



assets as more than just commodities could form the backbone of renewed local plans which see these assets harnessed to serve inclusive economy goals, such as the building of green, affordable housing and affordable workspace for local enterprises.

### 3 Use structure to deliver organisational priorities

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All anchor organisations have a set of corporate or organisational priorities which direct the ethos and delivery of their work. Yet, in practice these are often disconnected from day-to-day functioning. Functions such as human resources, procurement and estates management may not relate to higher level priorities and thus miss vital opportunities to directly influence the livelihoods and wellbeing of citizens.

To remedy this, the authors of corporate strategies should be more explicit about how individual functions contribute to strategic priorities, and leaders must consider how best practice in inclusive economy approaches in one function could be applied across departments. Similarly, structural changes which “roll together” teams around strategic objectives and purpose will enable otherwise disparate functions to consider how inclusive and sustainable economic activity can be delivered in a more holistic way.

### 4 Scale up the social economy

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Combined authorities have the networks and opportunity to provide much needed scale to supporting the development of more progressive ownership models. Those looking to emulate the work of Manchester and Liverpool<sup>15</sup> in this area should access the [raft of material available](#) on interventions to support this approach.

For local authorities who wish to go further, targeting the demand for goods and services towards local enterprise and diversifying local business support offers are established mechanisms to help pluralise ownership of the economy.<sup>16</sup> However, the supply of new co-operatives, social enterprises and community businesses is largely dependent on local people wanting to set

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<sup>15</sup> Goodwin, TL et al. (2022). A light in the dark: Progressive frontiers in local economies. CLES. [Link](#).

<sup>16</sup> Ibid.



up these kinds of organisations. Encouraging business conversion to employee ownership could prove particularly fruitful, especially where owners are reaching retirement age. The employee ownership sector has doubled since 2020, and the Employee Ownership Association provides materials that could be used by councils to support the transition of local businesses.

## 5 Flex funding to meet your own goals

Despite the many inadequacies surrounding the various funding allocations given and awarded to local authorities by the government, there are opportunities to use these sources of funding to further community wealth building aims and objectives.

CLES have developed a toolkit, in partnership with APSE, to support local authorities to maximise the impact of the Levelling Up Fund, based on six case studies from places across the UK.<sup>17</sup> Scottish City Region Deals also present an opportunity and CLES have worked with the Capital City Partnership in Edinburgh and South East Scotland to develop a framework to guide and influence the region's current deal, focussed on strategic intent, impact, growing local SMEs, supporting alternative models of ownership and maximising skills and employment opportunities for all.

## 6 Measure and value impact more broadly

Using community wealth building approaches to build inclusive local economies requires understanding how effectively wealth is flowing in your place. This means digging into the data and using a broader set of metrics than GVA to measure economic performance.

There are many ways to do this. The OECD propose primary goals of environmental sustainability, falling inequality, rising wellbeing and strengthening resilience<sup>18</sup>, while the Monitor of Wellbeing<sup>19</sup> is based on indicator dashboards inspired by the Stiglitz report, the Conference of European Statisticians measurement framework and the Sustainable Development Goals.<sup>20</sup>

We propose a framework, based on measures we know are accessible to local authorities and are already being developed in some areas.

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<sup>17</sup> CLES and APSE. (2023). Getting the most from levelling up. [Link](#).

<sup>18</sup> OECD. (2020). Beyond Growth: Towards a new economic approach. [Link](#).

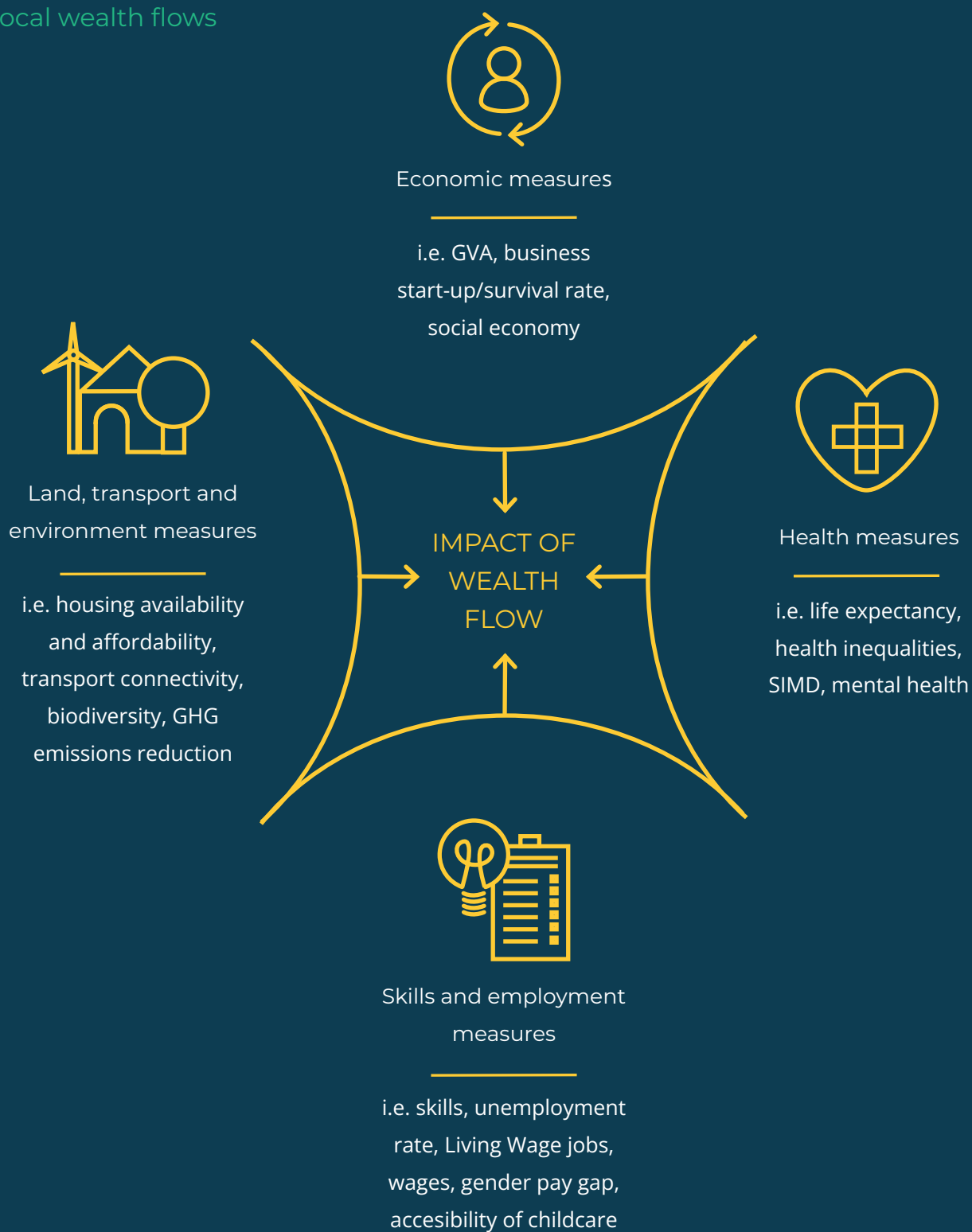
<sup>19</sup> Horlings, E & Smits, J-P. (2019). Measuring Well-being and Sustainability in the Netherlands: the first Monitor of Well-being. [Link](#).

<sup>20</sup> Wellbeing Economy Alliance. (2020). Measuring the Wellbeing Economy: How to Go Beyond-GDP. [Link](#).





Figure 1. A framework for understanding the impact of local wealth flows





# RECOMMENDATIONS FOR THE NEXT GOVERNMENT

In order for the anchor institutions in our places to go further in building wealth and power for citizens they need firm foundations – proper funding, supportive legislation and more power to shape their local economies. These are the key actions that we ask the next government (regardless of which side of the House they currently sit on) to commit to delivering on when they reach office.

## 1 Provide a long-term funding settlement for local government

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The Fair Funding Review has now been missing in action for so long that it has taken on an almost mythical status. In its absence, local government has been without a well-functioning funding system – one that takes account of both spending needs and revenue-raising capacity – since the mid-2000s. Instead, allocations are based on near-obsolete data and ad hoc decision making.

This needs to be remedied as soon as possible. Without a long-term view on funding, local authorities simply can't carry out the kind of long-term planning required for the examples of practice we have shared in this paper to reach their full potential, let alone develop new or innovative approaches to improving the lives of their citizens.

We ask that the next government commit to delivering a five-year settlement (which includes a local needs assessment) within the first 12 months of their government, and aim to deliver a ten-year settlement by the end of their first term.

## 2 Devolve more powers from the centre

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Alongside a lack of resources, our interviewees spoke strongly about how the way in which power is held by the centre undermines their efforts to build better lives for their people. Whilst this is particularly manifested through the



centralisation of the policy agenda in Westminster, it was also noted in the devolved governments in Holyrood, Cardiff and Belfast.

We ask that the next government commit to a new era of devolution where powers and resources are disbursed to elected governments at regional, combined and local authority level. In addition, there should be an end to the current emphasis upon local and combined authorities being pitted against each other to bid for multiple pots of local based funding. Instead, funding should be allocated and devolved based on need, as above.

### 3 Give the NHS more power to shape local economies

The NHS in England spends around £6bn on consumables annually, including items like PPE and single use medical instruments. Typically, these items - many of which are manufactured and shipped from overseas - are purchased from NHS Supply Chain. Similarly, at the latest count, surplus NHS land in England alone covers around 590,000 square metres but NHS land usage and disposal is heavily centralised and is, in effect, governed by NHS Property Services. Both of these mechanisms are potential routes by which the NHS could play a powerful shaping role in local economies (through supporting the growth of local manufacturing and providing land for affordable homes, respectively) but both are currently being missed.

We ask that a future government work with the Department of Health and NHS England to enable both NHS Supply Chain and NHS Property Services to consider how purchasing and the disposal of land and assets can incorporate social value measures that recognise their potential local impact. We would also ask that NHS England does more to flesh out its new objectives for ICSs, particularly those around supporting place-based social and economic development, which need more teeth and guidance. This objective should be expanded to include a commitment to supporting health creating economic development practices<sup>21</sup> and to supporting local government in the formulation and delivery of a shared vision for place (as per recommendation one above).

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<sup>21</sup> Rose, T et al. (2023). The mental health and wellbeing impact of a Community Wealth Building programme in England: a difference-in-differences study. The Lancet Public Health. [Link](#).



## 4 Empower inclusive economic development with legislation and policy

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Despite bringing forward examples of how they are working in the cracks to support more inclusive approaches to economic development, our interviewees were clear that they do not feel empowered by either legislation or policy to centre their more progressive ambitions. The next government has the opportunity to embed inclusivity, social justice and climate emergency more robustly within our legislative and policy framework. We ask that they consider:

### A future generations act

Emulating the Welsh model, a future generations act would require all public bodies to operate in the pursuit of the economic, social, environmental and cultural wellbeing of current and future generations, and to report on relevant actions. For the UK, the government may wish to consider regional future generation commissioners (as opposed to a single national Commissioner, as in Wales) who would act to advise and assist over a larger geography.

### A green industrial strategy

The UK needs a new radical economic blueprint to enable the just transition and to provide the framing for local and regional economic planning. Rather than prioritising high growth and frontier sectors, which can realistically only hope to support the economy of a few places, the emphasis should be on a just transition within the everyday economy.<sup>22</sup>

### A statutory function for local economic development

Local economic development remains a non-statutory function of local government. Yet, many councils and other anchor organisations are actively engaged in local economic development as a necessity, and often deliver economic outcomes through functions such as procurement, social care and planning. We ask for local economic development to be placed on a statutory footing as part of any efforts to support future economic recovery.

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<sup>22</sup> Stanley, I. (2020). Love's Labours Found: Industrial strategy for social care and the everyday economy. Nesta. [Link](#).



## An ethical framework for place-based special economic mechanisms

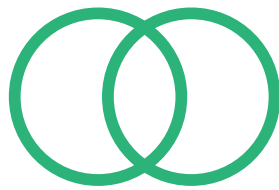
Tighter, more purposeful, ethical guidelines could transform enterprise zones, freeports and mayoral development corporations to reduce economic extraction. This would help to transform them from being potential drivers of inequality into being key vehicles for local accountability and economic change. Our recent paper contains important principals for how this could be done with freeports, but the same principals could apply to any number of future placed-based special economic mechanisms.<sup>23</sup>

## A community wealth building act

The Scottish Parliament is proposing to bring forward legislation for a new Community Wealth Building Bill. This would enshrine the five principles of community wealth building in law. We ask that the next government of the UK consider a similar approach.

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<sup>23</sup> Benstead, S. (2023). Future freeports. CLES. [Link](#).



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