Local Trust
trusting local people

Community wealth building in neighbourhoods

A St George's House consultation

Local Trust

About Local Trust

Local Trust was established in 2012 to deliver Big Local, a unique programme that puts residents across the country in control of decisions about their own lives and neighbourhoods. Funded by a £200m endowment from the Big Lottery Fund – the largest ever single commitment of lottery funds – Big Local provides in excess of £1m of long-term funding over 10-15 years to each of 150 local communities, many of which face major social and economic challenges but have missed out on statutory and lottery funding in the past.

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COMMUNITY FUND

Introduction

This report summarises discussion at a consultation held at St George's House, Windsor Castle, in November 2019, on the theme of community wealth building. Local Trust organised the event in collaboration with St George's House to explore the relevance of community wealth building at the neighbourhood level, particularly to communities that might be described as 'left behind'.

Local Trust delivers the Big Local programme which is funded by the National Lottery Community Fund. £1.1m has been granted to each of 150 areas across England to spend over 10-15 years. Areas were selected for inclusion in the programme on the basis that they scored highly on some of the indices of deprivation and had not previously received lottery or other public funding. Resident-led partnerships in each area decide how their Big Local funding will be used to improve their neighbourhoods and their quality of life. Local Trust provides capacity-building support to these partnerships to help ensure that the money is well spent.

It is clear to us, based on research commissioned from the Centre for Local Economic Strategies (CLES), that a high proportion of Big Local Partnerships are prioritising investment in employment and skills, including support for the development of micro enterprise (social enterprise or private sector), and that the majority are seeking to develop sustainable initiatives that would continue to respond to the needs and aspirations of their neighbourhoods after their Big Local funding has been exhausted. We were interested in exploring through the consultation how the frames, methods and approaches used in community wealth building might support the partnerships in Big Local areas, and in communities in other areas with similar characteristics, to achieve their ambitions.

Community wealth building has become 'a term of art', a phrase used to refer to a particular approach or collection of methods based on some core principles (see the next section for further detail). In the consultation, we decided not to stick rigidly to any one particular definition or approach but instead to borrow from a range of approaches that seemed to have potential to make a difference in the sorts of neighbourhoods we are concerned about.

The consultation took place over two days, Thursday 14th and Friday 15th November, 2019. There were 29 participants from academia, think tanks, government, the charitable sector (including foundations) and the private sector. They included community activists and support providers as well as small and micro enterprises. We had one participant from the USA and one from Spain. The consultation therefore benefitted from a wide range of different perspectives. (A list of participants can be found at the end of this document, but quotes remain anonymous under Chatham House Rules.)

What is community wealth building and why is it important?

The community wealth building movement

There is a growing community wealth building movement on both sides of the Atlantic. Across the USA, work is promoted and supported by the Democracy Collaborative. Similarly, in the UK, CLES, working closely with the Democracy Collaborative, is currently supporting the development of community wealth building strategies in 39 areas.

The work of this movement is based on a set of core principles (see box for further details) that aim to restructure the local economy to make it more democratic and to improve outcomes for local people. It encompasses a range of practical strategies, often with a strong focus on the role of local anchor institutions. These are large public, private and social sector institutions such as universities or hospitals, rooted in places, who use their economic weight—as employers, managers of assets, investors, purchasers of goods and services—to influence their local economy to better meet the needs of communities. In some places, such institutions have come together to form so called 'anchor collaboratives' to collectively advance inclusive economic development strategies.

The emphasis is on building greater citizen and community control and ownership of the wealth of places. Examples from the USA and UK include the development of worker co-operatives (Preston, Islington and New York City); allocating significant funds to communities to help implement participatory visions for improving local commercial areas to foster economic opportunity and neighbourhood vitality (Portland, Oregon); and community land trusts (Leeds, Yorkshire and Burlington, Vermont).

The community wealth building movement is gaining increasing traction at a local and national level. In Barcelona, the approach is a key pillar of the city's economic plan. In the UK, we have seen the first national community wealth building programme sponsored by the Welsh government and the first Metro Mayor elected on a community wealth building platform. Richmond, Virginia, USA, has created an Office of Community Wealth Building to provide a unified home for integrating and advancing transformative approaches to community economic development.

Of particular note is the collaborative work that CLES and the Democracy Collaborative have done in Preston, which has come to be known as the Preston model. When this work is covered in the media, the focus is generally on the role of the local authority and five other large anchor institutions in successfully directing significant proportions of their spending to local businesses. But the work in Preston is much broader and includes the development of co-operatives to meet local needs for goods and services; an energy supply partnership;

a community bank; and a search for local investment opportunities for Lancashire's Pension Fund.

These examples also highlight the bi-partisan nature of the community wealth building movement—community wealth building strategies have been implemented by politicians from across the political spectrum in the UK, the USA and beyond.

Five Principles of Community Wealth Building

Fair Employment and Just Labour Markets

Anchor institutions have a defining impact on the prospects of local people. They can develop more equitable and just processes to improve outcomes for their employees and local people. These could include recruiting from lower income areas, paying a living wage and building in-work progression routes. The size of these anchors means that they have significant 'soft power' to influence the norms of other employers within the area.

Plural Ownership of the Economy

Developing and growing small enterprises, community organisations, cooperatives and locally owned assets is important because they are more financially generative for the local economy – locking wealth in place.

Making Financial Power Work for Local Places

Increase flows of investment within local economies by harnessing and recirculating the wealth that exists within that locality, as opposed to attracting external capital. This can include redirecting local authority pension funds, supporting mutually owned banks, or locally owned businesses.

Progressive Procurement of Goods and Services

Developing dense local supply chains of businesses likely to support local employment and retain wealth locally: SMEs; employee-owned businesses; social enterprises; cooperatives and community businesses.

Socially Just Use of Land and Property

Deepening the function and ownership of local assets held by anchor institutions, so that financial and social gain is harnessed by citizens. Develop and extend community use of public sector land and facilities as part of "the commons".

https://cles.org.uk/wp-content/uploads/2019/09/CWB2019FINAL-web.pdf

Other frameworks for building local wealth

Those concerned about the concentration of wealth in a few hands advocate other methods for sharing wealth more broadly, including the creation of collective wealth funds.

There are two broad types—sovereign wealth funds and social wealth funds. Sovereign wealth funds, often created from the proceeds of oil, tend not to have a social purpose. They are state run, usually making returns to the Treasury and not to citizens. Often, they lack transparency and public participation. Social wealth funds, while created and managed by the state, have clear social goals. There is also advocacy for a new form of social wealth funds—citizens' wealth funds managed independently of the state, owned by citizens and from which they benefit directly.

Stewart Lansley and Duncan McCann have been advocating for a citizens' wealth fund. All citizens would own an equal part of the fund in order to help reduce the extreme concentration of ownership of wealth and capital and ensure that economic gains are shared broadly across society. They suggest that such a fund might be financed by the UK's top 350 companies gifting a modest annual allocation of shares, perhaps 0.5%. The proposal is that the fund would provide a basic citizen's income.[1]

Such social wealth funds have been an inspiration for the proposal for a Community Wealth Fund for England. Over 180 primarily civil-society organisations are asking the government to invest the next wave of dormant assets, estimated at valuing £2bn, into a new, independent, permanent endowment for communities in left behind neighbourhoods. The aspiration is that this £2bn contribution might be matched by the private sector to create a £4bn fund. The proposal is that the fund would be distributed according to some basic principles: that communities take spending decisions with appropriate support to build their confidence and capacity and long-term investment (10-15 years).[2]

See the box below for examples of social wealth funds.

Social wealth funds

The Shetland Charitable Trust, a social wealth fund, was founded in the 1970s by the local council and is funded through a charge on oil companies. They make annual disturbance payments in return for access to the North Sea. The Trust is now worth almost £200 million (for a population of 22,000). Returns have been used to fund social projects, from new leisure centres to support for the elderly.

The only existing example of a fund similar to the proposed citizens' wealth fund is the Alaskan oil-based Permanent Fund. This has been paying a citizen's dividend—averaging $1,150 a year—since 1982. It is high profile and popular and has helped Alaska become one of the most economically equal of all US states.

1 Stewart Lansley and Duncan McCann, Citizen's wealth funds, a citizen's dividend and basic income, Renewal, Vol 27 (1)

2 localtrust.org.uk/insights/submission/community-wealth-fund/

Why is community wealth building particularly important now?

There is growing concern that the current economic system is not serving us well—it is contributing to environmental degradation, inequality is increasing, and, in some areas of the country, people feel increasingly left behind or disenfranchised—that the odds are stacked against them. We need to look at how communities can be given a sense of agency and control—how they can be supported to become more resilient. Community wealth building may perhaps provide the seeds of a solution.

The view is that past attempts to build strong local economies and communities have been inadequate—the money invested "did not stick". Community wealth building, as advocated by the Democracy Collaborative and CLES, is regarded as a potentially transformational solution because it is systemic. It is described as:

> *…a systems approach to economic development that creates an inclusive, sustainable economy built on locally rooted and broadly held ownership… [it advocates for] new strategies that address the root causes of corrosive and pervasive economic inequality, and taking those strategies to scale so we can rebuild our communities and local economies along more just, equitable and sustainable lines.*

A distinctive feature of the community wealth building movement is its emphasis on systems change at a local level—often the local authority level—and the importance of place. Its proponents are clear that it does not replace the need for conventional economic development strategies at national and regional levels, i.e. investment in high-quality education and training and physical and digital infrastructure; the development and diffusion of innovation including new technologies; and an openness to trade with other nations. The specific focus of the community wealth building movement is to build stronger local economic ecosystems. Other approaches to community wealth building, for example, the creation of social wealth funds, can complement this and contribute to it.

Community wealth building at the neighbourhood level

> **I'm a big fan of the notion of concentrating on neighbourhoods.**

Community wealth building tends to be regarded in the UK as a movement which local authorities are leading, and which is most relevant at this geographic level. However, one of the most powerful sessions at the consultation comprised a small number of presentations from community activists about the work they are developing in their neighbourhoods in order to build community wealth. This section summarises the main themes which emerged from the presentations and in the discussions afterwards.

Different forms of wealth and wealth generation

> **This sort of work shifts the dynamic—not just the dynamic of local institutions but also of the local market. And it has an impact on politics—it engages people and gives them a sense of agency and power.**

The presentations underlined one theme that participants in the consultation kept returning to: namely, that wealth takes a variety of forms. Local communities, including—sometimes particularly—those that have suffered dis-investment, often have huge stores of social wealth in the form of strong social networks, skills and capacities, imagination and creativity, and a willingness to volunteer what are often significant amounts of time to make their areas better places to live. And, in some instances, such communities are developing new, collaborative models of wealth production and ownership rooted in community needs and aspirations. This community economic development approach is in sharp contrast to conventional regeneration, which can result in gentrification that makes areas unaffordable for people on benefits or low incomes.

The challenge of the hyperlocal

It was clear from the presentations that neighbourhood-level activity could strengthen the economy within that specific locality. For example, one participant highlighted how their local community had been able to take over a disused supermarket and transform it into a social enterprise hub, incubating 36 local businesses. This project thereby improved local supply chains, repurposed disused assets to benefit a community which suffers from a specific, hyperlocal issue (a struggling high street), and helped to generate wealth for residents. However, a question raised in the consultation was the extent to which this activity created sustainable change within the locality and change in the wider economic system.

In its research report on community wealth building in Big Local areas, prepared to inform the consultation, CLES discusses the issue of system change. It describes valuable nodes of activity, but a lack of the 'wiring' needed to support systems change. The report suggests that a major challenge is often the lack of connectivity between community-based activity and anchor institutions. Such organisations can provide the contracts and other support which could make the valuable work done at the neighbourhood level both sustainable and systemic.

The CLES report makes clear that some Big Locals are starting to make a positive contribution to change in their area's economic ecosystem. An example was provided at the consultation. One participant from a Big Local spoke about their experience of purchasing some land and transforming it into a community solar farm. In order to do this, they partnered with Bristol Energy Cooperative (BEC), ensuring that 50% of the profits went to BEC and 50% to Ambition Lawrence Weston—the community partnership which owned the land. Not only has this group been able to transform publicly owned land into a source of revenue for its local community, but BEC has also committed to use all profits from the solar farm "to fund £4 million of social projects across Greater Bristol and Somerset over the [next] 25 years."[3]

The value and importance of community leadership and control

Community wealth building is defined as:

> *…a people-centred approach to local economic development, which redirects wealth back into the local economy, and places control and benefits into the hands of local people.*[4]

However, there is a perception of dissonance between this definition and practice. There is a view that the process is often experienced as top-down and not very inclusive of the local communities such strategies are designed to benefit.

During the course of the consultation, discussions kept returning to the concept of community control and its importance in achieving real change within neighbourhoods. This is for a number of reasons, not least because residents are best placed to develop effective responses to the issues that they face, and, in so doing, develop skills that will make their community more resilient in the future. As one participant mentioned, most people want a sense of "freedom and control" over their lives. Genuine control over decision-making, giving communities a real stake in work to improve the economic prospects of their area, would counter the sense of disenfranchisement felt by many. It would also increase trust in public institutions and political processes.

3 http://www.bristolenergy.coop/news–events/the-renewables-revolution-comes-to-lawrence-weston-with-our-solar-switch-on

4 https://cles.org.uk/what-is-community-wealth-building/

Community leadership in this context might take a variety of forms including the transfer of assets to communities, the fostering of worker cooperatives and community businesses and different forms of participatory budgeting to secure the economic improvement of areas. One participant was clear, though, that, while community wealth building represents a democratisation of the economy, achieved through worker ownership of firms and community ownership of assets,

> *..it is not traditional community empowerment or community development by another name. It is an attempt to turn the dial and change local economic ecosystems.*

Left behind neighbourhoods

> **The left behind communities we are particularly concerned about have been at the wrong end of every economic and social change over the last decade, if not longer… We need to do battle with mainstream economists, they don't think about places, they ignore them.**

The community wealth building movement has, as one of its objectives, to address economic inequality and develop methods to increase economic fairness. Although the approach is relevant to all neighbourhoods, this objective perhaps implies the need to focus on the most left behind, to take a least-first approach. Such a focus presents its own challenges, not least that of building the capacity of the communities in such areas to participate.

But, as one participant said, these areas have faced such a "perfect storm" of negative changes, that we have "no alternative" but to focus on totally transforming the economic ecosystem within which they operate.

Building the foundations —civic infrastructure

A recent report commissioned by Local Trust[5] mapped neighbourhoods which not only score highly on the indices of multiple deprivation but also lack civic infrastructure—in the form of places to meet, community engagement, and physical and digital connectivity. In these areas, unemployment, health, school attainment and higher-education participation levels are all much worse than in other multiply deprived areas.

The Big Local programme demonstrates how foundational investment in civic infrastructure supports community engagement and builds the confidence and capacity of residents to develop projects to improve their neighbourhoods and their quality of life. Big Local is a spend-out endowment, but new social wealth funds might support such investment into the future, enabling communities to engage with community wealth building and to begin to deploy its tools and techniques.

Proposals for social wealth funds might be regarded as alien or contrary to community wealth building because they are based on a traditional model of philanthropy or subsidy. They are part of the current system as opposed to a reaction against it. However, as one participant noted, "anything as disruptive as [community wealth building] can only come about through mass political and social empowerment'", and this empowerment can itself only be achieved if communities have the capacity to engage.

5 https://localtrust.org.uk/wp-content/uploads/2019/08/local_trust_ocsi_left_behind_research_august_2019.pdf

Making the case for community wealth building

> **We must innovate and try things out. Take leaps of faith. Test, innovate and try!**

One of the main discussions at the event was about the evidence base and how we might make a compelling case for community wealth building. The evidence base was described as "not strong"; which is not to say that there is no data demonstrating the value of some of the different approaches it encompasses (for further detail, see the box).

One explanation offered for the lack of a comprehensive and robust data set was that community wealth building comprises the implementation of a set of principles with different criteria for measuring success. It is hard to create a coherent evidence base for such diverse principles, with different factors to analyse, each with a variety of determinants of success.

Another factor that makes it hard to gather coherent data on community wealth building is the difficulty of evaluating change in the economic ecosystem of a place—change that is deliberately designed to be systemic. For example, if a focus was placed on the community wealth building principle of progressive procurement, would such a strategy lead to the creation of more and better jobs in an area? If so, it would be hard to assess, because of the effects of displacement and the problem of judging the quality of employment.

Finally, funders are reluctant to invest in the wholesale evaluation of community wealth building.

One participant questioned the validity of calls for greater investment in community wealth building without an evidence base showing the success of work to date. A plea was made for community wealth building to be implemented at scale and evaluated in real time; with provision of enough time for it to flourish, and swift disinvestment from initiatives which, according to the evaluation, were not achieving the desired outcomes.

There was a challenge to the view that robust evaluation data provide a trump card, on the basis that the case for community wealth building is rooted in political economy, i.e. it can be justified on the grounds of the imperative of fairness, addressing economic inequalities and building community resilience. Perhaps the strongest arguments for implementing community wealth building were those that focussed on how the current economic system has failed so many communities across the country, meaning there is an imperative to try something different.

What can we learn from past local area initiatives?

There was some discussion at the consultation about previous local area regeneration efforts and what we might learn from them. Broadly, although the evidence base is fragmented, the evaluations and reviews undertaken suggest the following success factors: the importance of community leadership; a focus on neighbourhoods with a relatively small population (about 10,000); enough flexibility in the spend to respond to the particular circumstances of the area; links to economic opportunities in the wider geographical area; and an appropriate emphasis on sustainability and legacy.

While community wealth building should not be conflated with local area regeneration, the approaches and methods community wealth building encompasses can help support such regeneration: by helping to create links to economic opportunities in the wider geography, and by reinforcing the importance of sustainability and legacy.

Evidence from different economic approaches encompassed by community wealth building.

Workers cooperatives:

Across the UK, productivity is 3% higher in cooperatively owned businesses than in businesses with traditional business models.

In European countries there is a positive correlation between economic equality and numbers of cooperatively owned businesses, suggesting that economic equality and cooperative ownership could be interlinked.

During the financial crisis of 2007-8, businesses which had shared models of ownership were found to be 18 times more financially resilient than other forms of business. They also made redundancies at 1/6 the rate of businesses with more traditional business models.

In Cleveland, Ohio, the Democracy Collaborative has worked to set up the Evergreen Cooperative Laundry, which hires predominantly ex-offenders from one of the most deprived neighbourhoods in Cleveland. In an area where the median income is $18,500, workers at the Evergreen Cooperative Laundry enjoyed bonus cheques of $5,000 in January 2018. Not only does this case study highlight the benefits of a secure wage in a successful business, but it shows that progressive procurement can unlock local wealth. One of the Evergreen Cooperative Laundry's first clients was the local hospital.

Community Land ownership:

Community ownership of land is another mechanism of community wealth building that has a long and successful history. For example, throughout the 1700s, the US Congress granted new States trust lands upon entering the Union. State trust land managers are able to lease and sell the lands to generate revenue, which is in turn invested back into the US education system. Currently, 46 million acres of land are designated as trust lands.

Additionally, throughout the Big Local programme we have seen communities take control of land so that they can make better use of it for public benefit. Examples include the creation of affordable family housing in Bradley, Pendle; and in Ridgehill, Salford the community purchased a disused boating lake from the council in order to provide more outdoor space for residents, as well as working with the local school to teach students about biodiversity.

Taking the work forward

We need to think both about people and places and how we retain wealth in areas […] not using a narrow concept of retention but rather how we engage people in the mainstream economic flow.

The consultation discussed how community wealth building might be developed and sustained in the next decade. The steps suggested below are intended as foundational: they are designed to help transform community wealth building from a set of principles implemented in particular geographical areas into a more significant, national and international movement for change.

Developing a coalition of willing actors

It was seen as vitally important for the future of community wealth building to develop a coalition of support—amongst central government officials, local government, civil servants, the private, public and charity sectors and community groups—to both advocate for and implement community wealth building principles.

Ensuring conceptual clarity

The discussions challenged some common assumptions about community wealth building. It was argued that there needs to be conceptual clarity around what community wealth building represents. As the movement seeks to build a coalition of advocates, and potentially build grassroots support, it must be a concept that has both meaning and resonance for the communities it is designed to benefit.

It became clear that community wealth building is about broad principles aimed at transferring economic power into the hands of communities, rather than simply representing one model to be implemented in every local authority area across the country.

Linking actors

To date, community wealth building in the UK has been largely implemented at the municipal level. A number of councils across the country have begun to implement community wealth building strategies, often with support from CLES and the Democracy Collaborative; this is complemented in some areas by more organic, community-led activity.

In order to move beyond being perceived as an approach implemented by a handful of local authorities, community wealth building needs to link actors at the national, municipal and neighbourhood levels. This is the only way to ensure the approach can benefit every community across the country. It will help to mobilise the resources available and create a movement based on a plurality of voices with belief in the approach.

Investing in community capacity to engage

Given the importance of developing the confidence and capacity of communities to engage in community wealth building, particularly in the most left-behind neighbourhoods, it was suggested that a fund should be created. This would provide foundational investment, enabling communities to develop and implement community wealth building strategies with the aim of transforming their local economic ecosystems. The necessary investment could come from government in the form of a proportion of the UK Shared Prosperity Fund, or a new social wealth fund created from the next wave of dormant assets, the proposed Community Wealth Fund.

List of participants

Stephen Aldridge – Director of Analysis and Data, Ministry of Housing Communities and Local Government

Kim Ayling – Chair, SO18 Big Local

Jo Bambrough – Managing Director, The Exchange Creative Community CIC

Alexandra Beer – Programme Head of Welfare, Nuffield Foundation

Margaret Bolton – Policy Director, Local Trust

David Bright – Director of Grants, Open Society Foundations

Richard Collier-Keywood – Chair, School of Social Entrepreneurs and Far4All Finance

Cressida Curtis – Head of Corporate Affairs and Sustainability, British Land

Rob Day – Policy Assistant, Local Trust

Oriol Estela Barnet – General Coordinator, Metropolitan Strategic Plan of Barcelona

Miatta Fahnbulleh – Chief Executive, New Economics Foundation

Paul Funnell – Founding Director, Enterprise Cube

Mike Hawking – Policy and Partnerships Manager, Joseph Rowntree Foundation

Ted Howard – President, The Democracy Collaborative

Matt Leach – Chief Executive, Local Trust

Adam Lent – Director, New Local Government Network

Henry Leveson-Gower – Founder and Chief Executive, Promoting Economic Pluralism

Jeannette Lichner – Trustee, Local Trust

Sara Llewellin – Chief Executive, Barrow Cadbury Trust

Duncan McCann – Senior Researcher, New Economics Foundation

Neil McInroy – Chief Executive, Centre for Local Economic Strategies (CLES)

Simon Paine – Chief Executive and Co-Founder, PopUp Business School

Reema Patel – Programme Head, The Nuffield Foundation

Mark Pepper – Development Manager, Ambition Lawrence Weston

Peter Tyler – Professor, University of Cambridge

Danielle Walker Palmour – Director, Friends Provident Foundation

David Wanrer – Chair of Trustees, Local Trust

Jessica Wenban-Smith – Head of Communications, Local Trust

Martina White – Project Manager, Dover Big Local – DBL Trading CIC