

# Convention of the South of Scotland 28 September 2020

(Paper 5)

## COMMUNITY WEALTH BUILDING IN THE SOUTH OF SCOTLAND

### BACKGROUND

1. At the first Convention of the South of Scotland, as part of a discussion on how to grow the working age population in the South of Scotland, and align employers with local demand, partners agreed to explore the potential of a 'community wealth building' approach to economic development.
2. Community wealth building (CWB) is a way of working that seeks to maximise the role and influence of public and private sector organisations (or 'anchor institutions') in an area to retain wealth and create economic opportunities for local people and local businesses. It does this by encouraging anchor institutions to think about how and where they buy from, how they recruit, and how they could use their assets to generate wider economic returns for the areas they are located in.
3. The model was used in Preston in England to increase the amount and impact of public sector investment in the local economy at a time when overall budgets were declining. The most recent findings show that following the adoption of CWB activity, public sector procurement spend retained in Preston in 2016/17 was up by **£74m** on 2012/13 levels, with an estimated **£200m** staying with the wider Lancashire economy. Alongside this, 4,000 extra employees were earning the Real Living Wage and unemployment in the area reduced from 6.5% in 2014, to 3.15% in 2017 (outperforming the national average at that time).
4. The purchasing power of anchor institutions, used to such effect in Preston, is one aspect of CWB but there are 5 core pillars:
  - **Progressive Procurement** - increasing local spend and developing capacity in local businesses supply to e.g. win public sector contracts.
  - **Fair and local employment** - increasing fair work and local employment opportunities, linking employers to skills supply chains etc.
  - **Democratising ownership of the economy** - driving social entrepreneurship by e.g. creating opportunities to share workspaces and experience.
  - **Utilising the physical assets of anchor institutions** for community good e.g. by asking the local community if they have ideas for using local derelict land or property to bring it back into productive use.
  - **Utilising the financial assets of anchor institutions** for community investment e.g. investing surpluses in local building societies or longer terms funds in local business opportunities, developments, credit unions or co-ops.
5. Across the South of Scotland, there are already examples of CWB activity that could fit into one or more of these pillars. Both councils are already doing work to grow the local supply base so it is not entirely new and there is much that we can learn from existing practice. However, the structural economic change we are experiencing in the wake of Covid has exposed pre-existing challenges and uncovered new ones. That requires us to develop economic opportunity in a slightly different way. The CWB process can assist with that by identifying what existing economic activity delivers for the area, building on it and moving it into mainstream delivery.

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## THE CWB OPPORTUNITY IN THE SOUTH OF SCOTLAND

6. The Convention of the South of Scotland has already endorsed an emphasis on driving inclusive growth through engaging with, and listening to, local communities and local businesses. Therefore, it feels timely and opportune to explore how all partners can work together to harness the combined power of communities, public bodies and private companies in the South of Scotland.
7. With 91% of all businesses in the South of Scotland employing under 10 people, there is an opportunity to look at how CWB can increase SME access to public sector contracts and strengthen local supply chains. Focusing early efforts here could deliver immediate impact. Where local supplier markets are limited, there could be an opportunity to use enhanced public sector procurement opportunities to incentivise inclusive business growth, designed around Fair Work principles or alternative forms of business ownership which are both known to recirculate wealth locally. With Fair Work central to SOSE's remit, and featuring in existing Council activity, it has a key role in supporting businesses on their Fair Work journey and unlocking the opportunities those practices can bring.
8. South of Scotland has many varied and thriving communities and there are already examples of good existing practice that stand as an important basis on which CWB could grow. Ultimately, how CWB develops needs to be determined by and driven by local partners. To support this, the Scottish Government committed through the Programme for Government to work in partnership with the South of Scotland to produce a bespoke CWB action plan for the area. The action planning process is designed to assess how the South of Scotland is performing across each of the 5 pillars and identify practical action that is expected to deliver the greatest impact most quickly.
9. Early partner discussion has identified a number of potential options that could be progressed as part of the action planning process:
  - 1) **Identify and celebrate key pre-existing SoS CWB projects.** There will be many pre-existing singular activities and projects which already represent aspects of CWB in the South of Scotland that it would be good to make more of. In doing this, it will be important to evidence broader impact and draw out added value in terms of local, good jobs etc.
  - 2) **Explore how to embed the principles of CWB into SOSE as it build its operations.** The establishment of a new economic agency in the region provides a unique opportunity to build the principles of CWB into existing and emerging plans for SOSE and its operations from the outset. This includes fair work which is central to the work of the agency and it will look to ensure that the businesses it works with make a commitment to those principles.
  - 3) **Local authorities as anchors.** Following exploration and assessment with both councils, this could entail an acceleration of existing CWB activity or identifying new opportunities across the other pillars. Whilst LA specific, this approach would seek to understand the relationship between the local authority and broader region and encourages the transfer of useful lessons to all relevant partners.

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- 4) **Explore and profile the role of sectors as anchor organisations.** Understand and build on positive sectoral role in delivering wider inclusive growth impact in the region through existing business as usual activity and considering how small changes to purchasing, recruitment and operations could deliver even more. For example, this could consider the role and economic impact of health orgs, colleges or housing associations.
  
10. In developing any new CWB approach that responds to local need, it will be important to build an evidence base on early impact and surface delivery challenges so this can be fed back to local, regional and national policy makers. Making connections to the recently established Regional Economic Partnership will also be important in ensuring lessons can be embedded in the developing Regional Economic Strategy.

**NEXT STEPS**

11. Further develop the outline approach to CWB activity in South of Scotland to allow the action planning process to get underway with partners. This would allow a completed action plan and early progress report to come before the next Convention meeting in March 2021.
  
12. The action planning process will be led by Neil McInroy, Chief Executive of Centre for Local Economic Strategies, who has been seconded into Scottish Government on a part-time basis to support local partners to develop and design community wealth building solutions that work for their local circumstances.

**CONCLUSION AND RECOMMENDATION**

13. Members are invited to:
  - 1) Discuss the opportunities community wealth building presents for the South of Scotland.
  
  - 2) Agree and support the outline approach set out in the paper as the basis on which an action plan can develop.