

Convention of the Highlands and Islands 26 October 2020

(Paper 5)

COMMUNITY WEALTH BUILDING

BACKGROUND

1. The Convention of the Highlands and Islands meeting scheduled for March 2020 was cancelled as a result of the ongoing Covid pandemic. At the previous Convention in October 2019, a spotlight was placed on skills, focusing on the then refreshed Highlands and Islands Skills Investment Plan, alongside discussion on how to grow local populations and develop local economic opportunities in new and existing areas such as technology, energy and marine.
2. Taking a 'community wealth building' approach to developing local economic opportunity would help ensure local communities and businesses get the maximum benefit from new, and existing, investment. 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. 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:
 - 1) **Progressive Procurement**—promotes the progressive procurement of goods and services of anchor organisations. This spending power can be used to advance greater economic, social and environmental benefits, within the economy.
 - 2) **Fair Employment and Just Labour Markets**—Community wealth building focusses on the role that larger public, community and private anchor institutions take to employment. This includes a focus on direct recruitment in some sectors, as well as a focus on repurposing of procurement of goods and services from suppliers who prioritise Fair Work, or wider social impact.
 - 3) **Plural ownership of the economy.** Local or more socially owned organisations and enterprises are more likely to employ and invest in local people and recirculate money back into the local economy. For this reason, community wealth building seeks to grow socially and ecologically minded enterprises by promoting various models of ownership that support inclusion. This can include community ownership and local businesses; public sector insourcing; municipal enterprises; worker ownership; co-operatives.

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- 4) **Socially Just Use of Land and Property** – How land and property assets are owned and managed are key features of any local economy. In a community wealth building approach there is a consideration of how we develop the function and ownership of local assets held by anchor organisations including the community, so they generate wealth for local citizens.
- 5) **Making Financial Power work for Local Places** – increase flows of investment *within* local economies, by harnessing the wealth that exists locally, and ensuring any incoming investment is circulated. This includes: encouraging local authority pension funds to redirect investment to local schemes; supporting mutually owned banks; using surplus capital to support ethical or community or locally owned businesses.

GROWING COMMUNITY WEALTH BUILDING IN SCOTLAND

5. There are already a number of CWB work plans in development in different parts of Scotland which offer opportunities for the sharing of best practice in a Scottish context. North Ayrshire Council work is the most advanced, launching Scotland's first Community Wealth Building strategy in May 2020.
6. As part of our support for this work, SG has committed £3m to advance CWB across the Ayrshire region as part of the Ayrshire Growth Deal. This funding will enable the recruitment of locality officers to support CWB implementation across the 3 councils, provide a fund to support local SMEs and social enterprises to build capacity to participate in local supply chains, and develop a Fair Work Ayrshire scheme to embed fair work practices in local anchor institutions. The 3 year project is expected to commence in 2021-22.
7. The Scottish Government also recently outlined a commitment to work with additional councils and regions on Community Wealth Building in its Programme for Government: *'Building on work already underway in places like Ayrshire, which has secured £3 million for Community Wealth Building through their regional growth deal, we will now work with 5 additional areas – Clackmannanshire, South of Scotland, Glasgow City Region, Western Isles and Tay Cities to produce bespoke community wealth building action plans for each area.'*

CWB ACTION PLANNING IN OUTER HEBRIDES

8. The Highlands and Islands region as a whole already places a strong emphasis on driving inclusive and sustainable growth through engaging with, and listening to, local communities and local businesses, and there are lots of examples of existing CWB activity to learn from.
9. The Scottish Government is engaging with Comhairle nan Eilean Siar to develop ideas on how pre-existing activity in areas such as community land ownership and energy generation can be further advanced to support the local economy.
10. We want to do this in a way that learns from and adds value to existing locally led work. For example, Comhairle nan Eilean Siar post-Covid-19 "Community Wealth Recovery" strategy for the Outer Hebrides which is based around three pillars –

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Community Wealth, Green and Digital recoveries – is a great starting point. This strategy builds on the concepts of localism, community capacity and resilience and positively prioritises local supply chains and local procurement, through actions such as:

- support businesses and communities to create greater local market resilience and capacity
 - identify opportunities for products and produce to be created closer to the point of consumption, e.g. potential for increases in local food production and for that to be better integrated into the local supply chain and the local market
 - identify opportunities and methodologies to make public procurement regulation supportive of greater re-localisation of spend.
11. As well as support Comhairle nan Eilean Siar directly through the production of a specific CWB action plan for the area, the work will also look to transfer any relevant lessons and learning to the wider region.
 12. In 2019, there were 23,580 private sector business in the Highlands and Islands local authority areas, the majority of which were small or micro enterprises, employing fewer than 50 people. In CWB terms, this presents opportunities to develop robust local supply chains, by encouraging businesses and ‘anchor institutions’ to employee and procure locally, retaining wealth in local communities and strengthening local economic resilience.
 13. 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 more wealth locally. With Fair Work central to HIE’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.
 14. These approaches would align the structure of the economy with the interests of the people who live there, with most Highland and Islands respondents to the recent “Scotland Loves Local” campaign saying they would always support shops on their local high street where possible.
 15. As well as this, the Highlands and Islands have many varied and thriving communities that are central to growing community wealth. Ultimately, how CWB develops in any area should be determined - and driven - by local people and local partners. In this context, the Scottish Government collaboration with Comhairle nan Eilean Siar will identify a set of practical actions the Comhairle could prioritise to deliver the greatest economic impact most quickly in the context of recovery.
 16. 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 CWB projects.** There will be many pre-existing singular activities and projects which already represent aspects of CWB in

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the area that it would be good to make more of. In doing this, it will be important to understand and draw out added value in terms of local, good jobs, improved community capacity etc.

- 2) **Comhairle nan Eilean Siar as an anchor.** This is likely to entail an assessment of current practice across the 5 pillars, and where appropriate, acceleration of existing CWB activity or identification of new opportunities. 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.
- 3) **Explore and profile the role of sectors as anchor organisations.** Understand and build on positive sectoral role in delivering inclusive growth in areas such as technology, energy and marine and consider how small changes to purchasing, recruitment and ownership models might deliver even more.

17. 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.

NEXT STEPS

18. Further develop the approach to CWB activity in the Western Isles and gain approval of the current action planning process proposal to begin getting work underway with partners. This would allow a completed action plan and early progress report to come before the next Convention meeting in 2021.
19. 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

20. Members are invited to:

- 1) Discuss the opportunities community wealth building presents for the Highlands and Islands, noting the Scottish Government commitment to work with Comhairle nan Eilean Siar to produce a CWB action plan.
- 2) Agree and support the outline approach set out in the paper as the basis on which the action planning process can get underway.