

# Democratic by Design: A New Community Wealth Building Vision for the British Economy After Covid-19

Developing the ecosystem to reconstruct communities and grow local economic democracy in the United Kingdom



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## Contents

- Section 1: Lay of the land  
1
- Section 2: Key recommendations  
9
- Conclusion  
22

# Executive Summary

We are at a historic juncture. If we can secure a transformative and green recovery from Covid-19, the crisis could prove a watershed moment - a break from an unsustainable present and unjust past towards a reparative future anchored in a purposeful, inclusive economy. But there is no guarantee the Covid-19 conjuncture will not be resolved on terms that accelerate the conditions of the crisis. The path we take will depend on the actions we now take.

The public health crisis has further revealed the distressed state of our local economies, following decades of deliberate neglect, outsourcing, and relative economic decline for too many places and communities. At the same time, this crisis has underscored the importance of community. As we ready ourselves to reconstruct our economy, we must strive to make the recovery the starting point for a new birth of community across the UK: we must enter a new era of Community Wealth Building that grows economic democracy from the ground up – supported by a democratised state.

If the response to the crisis repeats the mistakes of 2008, the result will be an economy with all the injustices we had before, though even more ingrained and uneven. But it doesn't have to go this way. The present crisis could well be a wake-up call to change course and to build a more local, generative, social and democratic economic system and a moment of crystallisation, with citizens and governments working together to build a new social contract and a genuinely inclusive economy.

In that sense, we must work to ensure that the response to the crisis ushers in a new era of Community Wealth Building as the basis of new local economic transformation plans to create the kinds of democratic, inclusive and community-based economies we need – economies truly centred on collective well-being, local resilience, ecological sustainability and economic justice. To do so, the movement needs to be properly resourced and supported, both in terms of local capacity building and policy development at all levels, to scale to the challenges and the demands.

Moreover, as businesses struggle to stay afloat amid the crisis, it is imperative that businesses grounded in local communities – the lifeblood of local economies - are not only protected but allowed to flourish. This crisis poses a threat of further consolidating the business landscape. By rooting our response in Community Wealth Building, we can lay the groundwork for pluralist models of business to thrive, safeguarding a prosperous future for social enterprises; rapidly expanding worker ownership of companies; facilitating the growth of cooperatives and mutual; and securing a path forward to enhance community businesses.

Community wealth building approaches can unlock local Green New Deals across the country. From using capital investment to invest in low carbon projects that create good, unionised, local green jobs, to reorienting pension funds and municipal bonds to finance a just transition, to the environmental benefits of local supply chains, many of the tools of community wealth building can be used to conjoin economic and

environmental justice.

Building the democratic economy will also require a combination of policy actions from governments driven by a democratised state that reimagine economic relations. That will require a dual movement: efforts to nurture and grow the democratic economy from interventions and initiatives from central and local government, backed by a groundswell of strategies to grow it from the bottom up. In effect, this can create the conditions for the fertile soil from which Community Wealth Building can grow.

This can be sustained through a new financial ecosystem: the creation of a public state holding company, or several across devolved nations, can acquire hold distressed business assets during the crisis until such time as they can be relaunched under democratic forms of ownership as part of the economic recovery; a Social Wealth Fund, to invest in an economy fit for the future; National Investment Banks, to provide financing to public and private bodies in service to the social good; Inclusive Ownership Funds, to advance the aims and objectives of a pluralistic community business landscape; reforming procurement policies, to stimulate local supply; and the creation of a Community Wealth Building Act.

The Covid crisis has awoken people to the vital importance of community. It has exposed our interconnectedness and vulnerability, as well as demonstrated the precedence of the everyday place-based economy over the financialised global economy. It is the moment to cohere the movement for a democratic economy, to advance a true rebirth of community in this country and to make deep change for the long haul.

# Lay of the Land

## — The Community Wealth Building Movement and Post-Covid-19 Reconstruction

From the proliferation of local Community Wealth Building (CWB) models to flourishing new forms of broadly-owned enterprises, the movement for a more democratic economy has been spreading across the United Kingdom, largely as a result of a growing recognition that the system is not working for local economies and a need to look to alternatives that support thriving communities that centre people and planet.

The Covid-19 pandemic has further revealed the distressed state of our local economies and the brittle condition of the local public sector, following decades of outsourcing. At the same time, this crisis has underscored the centrality of community to our everyday lives. As we ready ourselves to rebuild and reconstruct within the shattered post-Covid-19 landscape, we must strive to make the economic recovery the starting point for reconstruction and a new birth of community across the UK. We must enter a new era of Community Wealth Building that grows economic democracy from the ground up – supported by a democratised state actively reimagining the economy.

Community Wealth Building is a novel approach to community economic development that works to produce broadly shared economic prosperity, equity, and ecological sustainability through the reconfiguration of institutions and local economies on the basis of greater democratic ownership, participation, and control. In place of an extractive and unequal status quo, it promises to build a very different economic future: one that is inclusive and equitable by design. It stands in opposition to the prevailing model of economic development that puts the accumulation of private wealth and profit above meeting the needs of people, entrenching and exacerbating [racial](#), [gender](#), [economic](#), and geographic disparities.

Community Wealth Building is not simply about correcting some of the worst historical and contemporary injustices of corporate capitalism, or about making marginal improvements in the economic health of a few isolated communities. Instead, it is about moving in the direction of an entirely different political-economic system, linking new bottom-up forms of development with economic and political interventions at a variety of scales. Community Wealth Building is economic system change, starting at the local level, but intimately linked to strategies operating on multiple terrains, all pursuing the deep democratisation of economy, society, and state.

There is no one-size-fits all model of Community Wealth Building. Rather it is an approach that centres democratic ownership of the economy and community self-determination. This means that each local rollout of Community Wealth Building is different, based on the local context, ecosystem, resources, and politics. What all Community Wealth Building strategies have in common, however, is that they aim at improving the ability of communities and individuals to increase asset ownership, anchor jobs and resources locally; expand the provision of public services; and ensure local community economic stability and democratic control. This, then, is not just about better localising economic activity driven by the logics of today's economy, but instead about hardwiring a new purpose and governing logic into the economy of tomorrow.

While various Community Wealth Building strategies – from scaling cooperatives, community businesses, and credit unions to supporting land trusts – have been at use in communities for decades (even centuries), it emerged as a new approach to economic

development in the mid-2000s, most notably through the development of the “Cleveland Model” in the United States and, soon after, the widely heralded “Preston Model” in Lancashire. These efforts challenge the underlying logic of neoliberalism and the failing national and local economic model that has produced such negative outcomes as ingrained poverty, inequality, ecological degradation and accelerating wealth extraction. They seek to develop local economies that produce more equitable and sustainable outcomes as a matter of course, rather than relying on redistribution “after the fact” in a lopsided economic model.

Building from these models, there has been a steady uptake of the Community Wealth Building approach by a growing array of local councils, politicians, entrepreneurs and activists, and anchor institutions across the UK—and even including Registered Social Landlords, further education colleges, and within individual health institutions as part of the National Health Service’s long-term strategic plan. The actors who have been moving these promising models to new levels of sophistication and impact can be found far and wide in dozens of localities: in Preston, but also in the Wirral; Newham, Islington, and Hackney; Birmingham; North Ayrshire; North of the Tyne; Bristol and elsewhere. The Centre for Local Economic Strategies (CLES) has been a key player in advancing this work on the ground, proactively encouraging Community Wealth Building through direct consulting and their Centre for Excellence. At the same time, a network of organizations and institutions of support have oriented aspects of their work around these efforts, from the New Economics Foundation (NEF) to Co-operatives UK, Social Enterprise UK, and Stir to Action. But while these laudable examples pave the way and offer a sense of the possible, they are unevenly distributed and cannot yet scale at a broader level to meet the demands of the challenges we face.

The present crisis makes the case for Community Wealth Building all the stronger, just as it strengthens the potency of the challenges to which Community Wealth Building is a response. Post Covid-19, we are emerging into a world transformed, in which much wider economic and business activity has been placed on hold, a whole strata of local businesses may have already gone to the wall, millions of workers are unemployed, and key markets like the labour market and the housing market were essentially frozen and are only tentatively thawing. At the same time, early indications suggest the effects of Covid-19 will accelerate the growing concentration of corporate ownership that has occurred since the 2008 Financial Crisis. The result of this expansion has been the concentration of firms, ownership and influence in the economy, with a small suite of vast asset management firms and institutional investors now controlling a growing proportion of shareholder power and wealth. All the while, capital markets have been placed on life-support, recipients of unprecedented monetary interventions by central banks to avert a financial crisis, and the state has come roaring back into the picture, intervening across whole sectors of the economy to a degree and on a scale that would have been dismissed as unthinkable mere months ago. And this is just the beginning.

On top of it all is the relentlessly unforgiving countdown of the climate clock on a fossil fuels-based economy that will need to be fairly wound down and phased out in very short order. Now more than ever is the time to build the new economy we so desperately need.

### — **Why now? What this moment means for the movement**

We are at a historic juncture. If we can secure a transformative and green recovery from Covid-19, the crisis could prove a watershed moment - a break from an unsustainable present and unjust past towards a reparative future anchored in a purposeful, inclusive economy. But there is no guarantee the Covid-19 conjuncture will not be resolved on terms that accelerate the conditions of the crisis. The path we take will depend on the actions we now take.

The current prevailing trends see that the most likely scenario for recovery is an attempted reversion to the status quo ante – as we are already seeing in many places, prematurely moving to “rescue the economy” at the expense of public health. Framed by a narrative of “bounce back”, this scenario is predicated on an attempt to resume where we left off prior to the pandemic. A further symptom of this bad scenario could be an intensification of the worst aspects of the UK’s “Big Society” agenda, in which the goodwill of the community is used as a smokescreen for further austerity by relying on unremunerated volunteering in place of well-funded, democratic public services.

What seems to be happening therefore is a re-run of the kinds of responses we saw in the aftermath of the last financial crisis with the outcome being, in essence, a reinstallation of globalised neoliberal corporate capitalism, with all its contradictions and crises. This is a familiar story: bailouts for the banks and the corporate sector, with precious little for the rest of us. We can already see the austerity narrative creeping back into view and there is a genuine threat that the present crisis will bring a doubling-down of punitive welfare measures and cuts to the public sector. The result will be an economy with all the injustices we had before, though even more ingrained and uneven.

Unfortunately, this is not the worst that could happen. There are already hints towards an uglier scenario: a full-on “shock doctrine” disaster response, combining a new state authoritarianism with ongoing uncontrolled corporate capitalism. This could become an “Amazon recovery” if we’re not careful – with big business becoming even more powerful and further consolidating their wealth. It is no exaggeration to say that developments in this direction could threaten our basic democratic structures, which are already under strain. Such a response would couple a new interventionist state capitalism, in which the government worked to support big corporations and financial elites, with new laws - introduced during the crisis and designed to maintain social distancing, limit movement, and restrain the use of public space– serving to restrict basic liberties as regards freedom to assemble and protest.

But it doesn’t have to go this way. The present crisis could well be a wake-up call to change course and to build a more local, generative, social and democratic economic system. The Covid-19 pandemic could become a moment of crystallisation, with citizens and governments working together to build a new social contract and a genuinely inclusive economy. This could be prefigured and sustained by the extraordinary rise of social solidarity and support for key workers generated by the pandemic, which could then snowball into a movement for deep and lasting political-economic change.

We must do everything we can to bring about this change for good. Covid-19 is likely to be only the first of many shocks to come in this era of compounding crises, in which the kinds of economic responses we have seen in the past will only further exacerbate economic inequality and imbalances. We must work to ensure that the response to the crisis ushers in a new era of Community Wealth Building as the basis of new local economic transformation plans to create the kinds of democratic, inclusive and community-based economies we need – economies truly centred on collective well-being, local resilience, ecological sustainability and economic justice.

Community Wealth Building is already offering these solutions, with communities across the UK utilising various techniques to deliver on what The Centre for Local Economic Strategies’ refers to as the [five pillars](#) of Community Wealth Building: plural ownership of the economy, making financial power work for local places, fair employment and just labour markets, progressive procurement of goods and services, and socially just use of land. But it

must now move from the fringes of local experimentation to become the new accepted norm for local economic development, recovery and transformation. In this context, Community Wealth Building must be understood as a fully integrated approach to transforming local economies from the ground up. It must realise its potential to develop institutions and build a new ecosystem rooted in participation and ownership by the community that will ensure a power base for long-term sustainability. Community Wealth Building is not merely about advancing individual enterprises, cooperatives, or grassroots projects, but is a transformative local system approach to reshaping the UK's political economy. To do so the movement needs to be properly resourced and supported, both in terms of local capacity building and policy development at all levels, to scale to the challenges and the demands.

In this paper we map the existing landscape of Community Wealth Building leaders, practitioners, and activists and present recommendations for filling the gaps in order to position this movement for a more democratic economy as the recovery response to Covid-19. Only in this way can we ensure that the crisis aftermath moves in the direction of a new era of democracy and community, avoiding darker futures waiting in the wings.

### — **The Cutting Edge: Showcasing Community Wealth Building Models Across The UK**

The most prominent model of Community Wealth Building in action in the UK is in Preston, Lancashire. In 2012, with the collapse of a plan for major private sector investment to revitalise the town centre core, Preston was seeking alternatives to its conventional economic development approach. In [partnership](#) with the Centre for Local Economic Strategies (CLES), City Councillor Matthew Brown – having learned about The Democracy Collaborative's work in the United States to advance Community Wealth Building in Cleveland, Ohio – took up the model and radically expanded it. [Working tirelessly together](#) – and with supportive funding from the EU URBACT programme – Preston City Council and CLES conducted spend analyses for the City and Lancashire County and convened practitioners groups to shift behaviour and practice. The Preston Model, as it has become known, engages a network of public sector anchors across Preston and Lancashire, now including public pension investment and affordable housing, while laying the groundwork for the development of a community bank and the launch of a unionised cooperative. It has worked with these institutions to aggressively and extensively reorient procurement in support of local enterprises to keep wealth circulating in the community.

Already, Preston has seen significant payoffs from this new approach. The procurement from institutions rooted in Preston [retained](#) within the city was £112.3m - a rise of £74m from 2012 to 2013. Moreover, within the wider Lancashire economy (including Preston) £488.7m of spend had been retained - a rise of £200m from the baseline analysis. Since the inception of the Community Wealth Building strategy, 4000 extra employees in Preston are now receiving the Real Living Wage, and PricewaterhouseCoopers, in their [annual report](#) on Good Growth for Cities, lauded the City of Preston as the UK's most improved place to live.

Preston has become the most widely known example of Community Wealth Building in the UK, representing a new way of doing business locally and shifting the mainstream understanding of the role and scope of local authorities in shaping their local economies. The model has been covered with interest in the media from The Guardian to The Economist and was picked up by the Labour Party as the grounds for their local economic development platform. But Preston is just part of the story.

What started as an experiment is now driving a new consensus about how local democratic institutions should operate. Communities across the country are exploring how to shape their local economies in a more egalitarian direction. CLES' new community of practice

for local leaders, run through their Community Wealth Building Centre for Excellence, has a range of participants from authorities across the UK advancing transformative models, a few examples of which we further detail here. Wirral Council has been [pursuing](#) a Community Wealth Building strategy that works with local anchor institutions to link workforce priorities to asset management strategies, are developing a Wirral-wide community land trust, and are a key supporter of the development of the North West Mutual Community Bank.

In London a number of boroughs are advancing CWB, largely to tackle poverty and address inequality. In Islington, a place with no shortage of wealth, the problem is one of [equity](#), the Council is [working](#) closely with marginalised communities such as immigrant communities to make assets such as rent-free working space available to young immigrant women who are operating enterprises that serve their community. In Newham they are exploring the [re-municipalisation](#) of public services, the expansion of social housing, and how to work with regeneration projects on the Olympic Park and Royal Docks Enterprise Zone to ensure that they build community wealth. In Hackney, they have created a Sustainable Procurement Strategy, which commits to procuring green, for a better society and for fair delivery, supporting local communities.

In addition to these ongoing trailblazing efforts, there are a number of exciting new up and coming holistic efforts, centring Community Wealth Building as the frame for how they do economic development. North Ayrshire Council are pioneering Scotland's first approach to Community Wealth Building with the [launch](#) of their Community Wealth Building strategy in May 2020, setting out a new economic model for the region centred on inclusion and wellbeing. The Council will become a Community Wealth Building Council through working in partnership to create fair and meaningful work, and to allow communities throughout the region to flourish by retaining and growing community wealth across all of CLES's five pillars. Notably, North Ayrshire will be leveraging their annual revenue budget, as well as their capital programme and house building programme in addition to the £251 million [Ayrshire Growth Deal](#), which includes a £3 million [fund](#) to pioneer Scotland's first Community Wealth Building project – to grow community wealth.

Rooted in anchor institutions, such as NHS Ayrshire, Ayrshire College and local partnerships which have been brought together in a Community Wealth Building Commission, the strategy aims to support local businesses to bid for public sector contracts and encourage local wealth to be spent in local supply chains as part of a green recovery. A core pillar of North Ayrshire's approach to Community Wealth Building is ensuring that public land and assets can be democratised and enhanced to support the needs of the community while tackling the climate emergency,. The Council is exploring the creation of a Community Bank to support businesses and the local community, invest in green local economic development projects and to retain local wealth. A key component of this strategy includes broadening business models to support plural models of ownership, such as the development of co-operative models of ownership as well as advancing employee ownership and social enterprises as part of a strategy to enhance fair work, decent pay and job opportunities for communities throughout North Ayrshire.

In the North of Tyne, the combined authority where recently elected Mayor Jamie Driscoll won on a [manifesto](#) based on Community Wealth Building, they are focusing on addressing climate change, setting up community hubs, building affordable homes and providing meaningful adult education. In addition, they have [brought](#) £22m of skills investment under local control, are looking to set up a People's Bank, and establish a £3m inward investment fund.

Meanwhile, the national governments of Wales and Scotland are exploring ways to elevate Community Wealth Building. The Welsh Government is considering a public holding company for the Covid era to buy up small and medium enterprises that would otherwise fail at this time, to help preserve local economies and relaunch the enterprises under more democratic forms of ownership when the time comes. They are also working with CLES to [explore](#) how to use their £6.3 billion annual procurement spend to support sustainable jobs and growth; fair work and employment practices; modern infrastructure and construction; social enterprise development, and a number of other wider benefits for their economy and public services.

In Scotland, the government is now exploring how to scale Community Wealth Building, have invested in Community Wealth Building in North Ayrshire and helping to support other areas that are actively exploring the approach.

As Community Wealth Building grows and spreads it is important that it not be diluted and misunderstood as just another way of doing “inclusive growth.” It is integral that we lift up these transformative models that are resetting economic development, away from our neoliberal and extractive “business as usual” and towards a more equitable future where the wellbeing of all communities and the people who live and work in them is at the forefront.

### — **A New Birth of Community: Opportunities for the Expansion and Acceleration of Community Wealth Building**

While all these examples are having real impact in their communities and demonstrating the true possibility for change on the ground through Community Wealth Building, it is now time that they no longer be seen as simply experiments but become the way that economic development is practiced throughout the UK. The current moment demands real alternatives at the same time that it offers up some real opportunities to scale and accelerate in meaningful ways.

The Covid crisis has awoken people to the vital importance of community. It has exposed our interconnectedness and vulnerability, as well as demonstrated the precedence of the everyday place-based economy over the financialised global economy. It has proven the absolute indispensability of essential workers and the state, both at a local level and at a central level through, for example, the rollout of the furlough scheme. In this, it represents an opportunity to reset our democratic conversation, reconstruct our politics, rebuild our communities and reprioritize and re-value the public sphere. It is the moment to cohere the movement for a democratic economy, to advance a true rebirth of community in this country and to make deep change for the long haul.

One such key opportunity is the exposure of the frailty of global supply chains that have broken down and become clearly overextended in the current crisis, leaving communities without the tools and supplies needed to respond to the public health emergency let alone to the shutdown of the economy. We need to onshore these supply chains for resilience and reliability in the coming years. This re-localization will also support better paying jobs by building back a manufacturing base and diversifying local economies. This is also an opportunity to pre-configuring a local industrial strategy to rebuild local supply chains more broadly.

The pandemic has also exposed the need to mobilise health service capacity and highlighted the importance of health institutions in local economic, and social, recovery and reform. In many ways, the NHS is the mother of all anchor organisations with enormous presence and heft within local economies. Across its wide range of services, the NHS’s mission extends beyond merely administering to clinical health needs, but to [preventing](#) ill health in

the first place – playing a key part in addressing the wider social, economic and environmental determinants of health. The NHS has already embraced an anchor mission as part of its long-term plan and [efforts have begun to explore](#) how the NHS can play a critical role in economic recovery, but now more than ever it should be thinking of how best to maximise the impact of its annual spend to benefit the communities that it serves upstream.

In addition to these immediate openings, as we begin to recover from Covid there are a number of important correlated conditions and interventions to support and grow the movement and avert exacerbating further crises.

### — **Securing a Green New Deal for local economies**

While Covid-19 remains the most immediate challenge, the single biggest threat facing our future remains the climate and nature emergency, with the time left to prevent accelerating breakdown and fairly deal with its consequences quickly running out.

As local economies brace for a deep recession and mass unemployment, the need to build back better must be central to any recovery plan, and that requires tackling the inequalities and injustices exposed by Covid-19 and the climate crisis head on. Over the last few years, the Green New Deal has emerged as an idea to rapidly decarbonise and tackle the economic dynamics driving the concentration of wealth and power in the hands of a few. A green recovery from the pandemic could serve as an opportunity to implement this far-reaching economic strategy, from reimagining local public health strategies and green spaces, to the distribution of care work and local poverty alleviation approaches.

Local government and city mayors are increasingly looking to act decisively on the climate emergency, and with varying powers over policy areas ranging from transport to housing, are poised to take bold and material action.

We need to enable localities to have the tools and control necessary to implement a green recovery as part of a resilient industrial strategy, extending to every aspect of local economies, from decentralised and democratised energy markets, to new systems of low carbon local transport, and retrofitted affordable homes. The challenge is in securing those powers; the opportunity is in delivering a wave of local Green New Deals that combine economic and environmental justice in our response to Covid-19.

The goal is simple but transformative: a deep and purposeful reorganisation of our economy so that it is democratic, sustainable, and equal by design. Driven by a step-change in public policy and investment, a local green recovery can rescue our collective futures from climate catastrophe and create the conditions for universal human flourishing.

### — **Power Mapping: UK decision making structures**

In order to do this, we must revisit the UK constitutional settlement which shapes where power rests and at what level of government decisions are taken. Twenty years of devolution to Scotland, Wales and Northern Ireland have altered the policy and governance landscape throughout the UK, and, more recently, Brexit and the Covid-19 pandemic have changed the nature of this collective decision making, raising fresh questions around the future of the devolved settlement.

In Scotland, the [Scottish Government](#) oversees powers in some areas of finance and the economy, as well as education, health, justice, rural affairs, housing, environment, equal opportunities, consumer advocacy and advice, transport and power to set a Scottish rate of income tax. Under the 1998 Belfast Agreement or Good Friday Agreement, the [Northern Ireland Executive](#) make laws and decisions on 'transferred matters' such as health, education, roads

and housing. In Wales, Senedd Cymru or Welsh Parliament – formerly known as the National Assembly for Wales – oversees areas such as health and social care, education and training, local government, agriculture, forestry and fisheries, transport, justice and policing.

Local government, however, is [devolved](#), meaning the local government systems vary between Scotland, England, Northern Ireland and Wales. In Scotland, England and Wales, local authorities oversee areas such as social care as well as aspects of transport, education, waste management and housing. Local government in Northern Ireland, however, is narrower, with the focal point on services such as street cleaning and waste management. Additionally, some local government areas in England have opted to share areas of power with bordering local authorities to harmonise services, as demonstrated by cases such as Greater Manchester Combined Authority.

Devolution, however, goes alongside new forms of centralisation across governments. Yet if community wealth building is to succeed as a transformative economic agenda, it must be a movement that aligns deconcentrating of wealth with deconcentrating of power. In that case, powers and resources for an empowered local state are vital – as is the democratisation of both central and local government.

The next few years will prove significant, both on the future of the UK’s constitutional and devolution settlement and for policy development around the future of community business at varying tiers of government.

The upcoming elections throughout the UK pose an ideal opportunity to both deliver a more empowered and democratic local state while boosting pluralistic business models and bolstering the case for new ownership structures. Both the Scottish and Welsh elections are set to be held on May 2021, while talks are underway around when the next Northern Irish Assembly election will be held. English council elections were due to take place on May 2020 but were delayed due to Covid-19. The elections are now [expected](#) to take place in 2021. The Welsh council elections were [expected](#) to take place in May 2021 but will now take place in May 2022.

Now, perhaps more than ever in recent history, this moment of crisis presents us not only with the stark evidence that “business as usual” is not working for our people nor our communities, but with the opportunity to make the changes we so desperately need. There can be no going back. We must act now to ensure that Community Wealth Building stands as the main vehicle for rebuilding and creating a democratic economy from the ground up. The following section provides recommendations for how best to do so.



# Key Recommendations

Below we look at the needs of the movement to advance Community Wealth Building at the local level, present recommendations for promoting plural forms of enterprise ownership in communities, and set out a broad agenda for a national level policy platform that can support an ecosystem to grow a democratic economy at all levels. These recommendations have been developed in conversation with many partners across the field and reflect ongoing thinking from both The Democracy Collaborative and Common Wealth, but also CLES who has published their own [recommendations](#) on different aspects of this agenda in various reports, including in a joint publication with The Democracy Collaborative on [Community Wealth Building after Covid](#).

It should be noted that in all recommendations the goal is to root wealth creation and control in community through broad based forms of ownership, create high paid and decent work with strong collective bargaining rights and protections, and protect the public provision of basic and essential services through strong public mechanisms wherever possible. A focus on local enterprise as vital players among a varied and plural Community Wealth Building approach is due to both an underserved need in communities in this arena and specific requests from partners. While local enterprises of various forms, from cooperatives to social enterprises and community businesses, are a key part of the CWB model, they are only one set of tools in the toolbox, and an integral alternative to big multinationals within the private sector that suck money out of communities. Public ownership is an integral part of the CWB approach, and where possible the goal is to insource any services that have been privatized as a necessary means to achieve equity and sustainability.

## — **Identifying movement gaps and opportunities: Building capacity at the local level**

As more places reach for solutions to “build back better,” it is clear that there are skill, capacity, and resources gaps in the movement that need to be addressed immediately to get to the scale we need in the timeframe we have. In this section, we present actionable recommendations for advancing and connecting Community Wealth Building and economic democracy approaches to achieve a cohesive agenda that supports practitioners in community through resource, capacity, and network development. It should be acknowledged that without the existing and ongoing efforts and leadership of CLES, innovators such as Councillors Matthew Brown and Asima Shaikh, and other partner organisations, working closely with localities, CWB would not have advanced as it has across the UK, and continued support of their efforts is necessary to achieve future success.

### Tools and materials to help ready the soil

For Community Wealth Building to offer real solutions in recovering from the Covid-19 crisis, we need new tools and materials to assist communities, especially those that are just getting started on their journey. The term is spreading and growing in popularity, and a real movement is emerging as noted above. But often the approach itself is not well understood. In our present context, Community Wealth Building must be seen as a fully integrated approach to

democratising local economies from the ground up. Therefore, we need to better connect the dots between the various Community Wealth Building strategies and approaches (cooperatives, municipal enterprise, etc.) and entry points (anchor institutions, City government and others) to present a cohesive whole that works together for real change. Getting started – cultivating the right soil in which to ground a transformative effort – is often the hardest part.

Guides for community organisers and union activists and as well as local leaders and practitioners looking to learn more and get started must be made available. These guides will explain what Community Wealth Building is, but also what it is not. They will help people to better understand what the elements of Community Wealth Building are, and which of these already exist in their own communities. They will present what the possible entry and leverage points are for getting effective strategies off the ground. These starting steps include scanning local assets, identifying key local stakeholders, convening institutional leaders and partners. How-to guides will assist communities to properly ready the soil.

Once they have done so, communities are more likely to succeed in their Community Wealth Building efforts if they have supportive partners and collaborators, not only within the community, but broadly as well. Knowing what experts and organisations exist to support them in their efforts and how best to engage them is not always clear or obvious. Creating an accessible list or database of key actors in the field – from think tanks to consultants and subject matter experts – with information on who they are, what they do, how they work together, and when and how to engage them would be very useful to people doing this work in community. The Democracy Collaborative and CLES are already in dialogue and moving forward to develop these tools – both the guides and the database – as a key offering from CLES' Centre for Excellence. However, greater resources are needed to have broad reach, impact, and effectiveness throughout the UK.

#### — **Training and capacity building for activists, practitioners, trade unionists, and enterprise**

Across the UK there are numerous professionals and practitioners with expertise in different aspects of Community Wealth Building approaches – from procurement to enterprise development. However, they are often working in isolation, and against the grain and with limited resources. As a result, there is broad variation in knowledge and capacity across the field. Furthermore, there are not nearly enough experts to respond not only to the current demand but to meet the scale of the challenge during the recovery period. What is needed now is to rapidly upskill new practitioners across various sectors and connect them to existing experts to create a growing community of practice with a clear focus on Community Wealth Building.

Partners in the field, including most notably CLES and Stir to Action, already have robust training programmes for practitioners and activists. Both offer regular classes and workshops to a range of different audiences. Through their Centre for Excellence, CLES already has a network of local government leaders advancing Community Wealth Building and they hope to coordinate more. They have a Community Wealth Building residency in Birmingham, Sandwell, and the West Midlands to train a local professional to work across their five pillars. This needs to be replicated in other places as well. Moreover, Stir to Action's 'new economy' programme and fellowships are excellent capacity building opportunities for activists, organisers, and practitioners and their forthcoming training institute will be a valuable resource for the field.

These existing resources need greater support to scale up to the level of need and to expand to include efforts such as accreditation courses for professionals in Community Wealth

Building and learning cohorts for practitioners across a number of sectors and on-the-ground activities. For example, a diverse and strategically chosen cohort of grassroots activists and community-based social entrepreneurs would help build the base of social enterprise and other plural and democratic business forms capable of benefiting from anchor procurement, investment, and workforce approaches already in play in places like Preston and the Wirral. It is critical that such efforts include local trade union voices as a key element of the Community Wealth Building coalition, including exploring how the agenda can and must support efforts to insource vital services and improve terms and conditions for workers. Supporting diverse cohorts as well as broad networks of practice rooted in community and with an eye on developing community business and influencing local authorities and public institutions will ensure the resilience and staying power of this work for the long-term.

As discussed in more detail below, one key element that is ripe for further development in the UK is encouraging the pipeline of various community business forms and innovations necessary to build an ecosystem of local enterprise that acts as the base for successful Community Wealth Building. This is one dimension that is more advanced in the United States, where the Evergreen Cooperatives sit at the heart of the 'Cleveland Model.' By contrast, the UK cooperative, social enterprise, and employee ownership sector is comparatively small, and even Preston is only just beginning the local cooperative business development aspect of its Community Wealth Building approach. Many existing groups – from Co-operatives UK and Employee Ownership Association to Cooperative Development Scotland – offer hands on support in addition to policy development for cooperative enterprises (more of which below), but it lacks funding and is varied in quality and consistency. What is truly needed, especially at the local level, is robust and reliable business development expertise to assist with the legal, financing, and governance design to establish and scale these democratic enterprises.

#### — **Access to capital and financing**

Access to capital on terms that go with rather than against the mission of social enterprise and to secure funding is a perennial challenge for practitioners at the local level – in the form of investment in and financing for local ventures, on the one hand, and grant funding for capacity building, development, and advancement on the other. It goes without saying that the success of any of the mentioned recommendations in this section is dependent on the ready availability and accessibility of financing.

One necessary element in the institutional landscape of all successful examples of Community Wealth Building is a network of diverse local banking forms, including public and community banks, and the creation and use of local investment funds. Regional public banks across the UK could be developed to plan more equitably and support Community Wealth Building activities at a broader scale. Once established, they should be mandated to support local community banks, which serve the everyday financial needs of citizens, local community groups, and pluralistic local businesses. Precedent for public banking exists in such diverse places as the State of North Dakota in the US and across Germany in the form of the Sparkassen Banks. They can connect to and support the scaling of the growing community banking movement in the UK – from Avon Mutual to the soon-to-be-launched Bank of the NorthWest – which is becoming ever more necessary as the “big five banks” further retreat from the High Streets and no longer offer easily accessible lending to the real economy.

In addition to public and community banks, credit unions and community development financial institutions (CDFIs) that offer local investment for the social economy and different forms of plural enterprise should be supported to grow and proliferate. Unlike a lot of debt or

equity-based finance, these forms of finance better align with the mission of different ownership enterprise forms and can allow them to thrive without undermining their purpose. Additional powerful financial tools could be municipal bonds issued by local authorities to support Community Wealth Building or direct investment from local pension funds. This diverse banking landscape is integral to a healthy local economy and should be the backbone for capitalising community businesses and investing in local initiatives and must be supported at all levels.

Additionally, patient and risk-tolerant funding needs to be made available to organisations and institutions working to build out a robust Community Wealth Building strategy. In addition to funding specific projects, offering equity investments, and making smaller scale development grants available, philanthropy and local foundational funders must commit significant-scale resources with less strings attached to key organisations and initiatives in the form of general operating support over time to allow the build-out and nurturing of capacities, learning, and networks to bring about real change. The Democracy Collaborative has advocated for a special purpose funding vehicle, capitalised by a collective of philanthropic and charitable partners, to be made available to movement actors at different scales working to advance the democratic economy.

# 1 Securing a thriving future for local enterprises:

Plural models of business ownership

Local enterprises of various forms are a [vital](#) component of successful Community Wealth Building. Existing Community Wealth Building approaches often default to straightforward support for local procurement, which, while valuable, risks leaving on the table some of the opportunity for supporting the growth of more democratic enterprise forms in local economies (while also making it difficult for local capacity to meet this new demand). Where there is already a focus on building the democratic economy, thus far most of the attention in this area has been on building and supporting worker cooperatives. But there exists a far more plural and diverse range of business forms under the broad heading of community-rooted business that falls within the scope of Community Wealth Building strategies and helps move the overall approach more rapidly to scale.

Below we highlight various forms of community-rooted enterprise that are supported through Community Wealth Building approaches, including, but not limited to, social enterprises, municipally-owned enterprises, multi-stakeholder cooperatives, locally-owned businesses, family-owned businesses, employee-owned firms, community businesses, mutuals, and more, any programmatic effort to build a more inclusive, prosperous and sustainable local economy must run through reimagining and scaling models of community-rooted enterprise which are

purposeful, equitable, and democratic. To do so, we first must understand what obstacles confront the growth of these democratic forms of community-rooted business and develop and popularise a multi-pronged strategy to spread and democratise community business at scale.

### — **Safeguarding social enterprises**

Social enterprises have objectives rooted in social purpose, with a clear social and/or environmental mission. This model of business is particularly important during a moment of economic crisis, not least because of the role of social enterprises in delivering health and social care. However, social enterprises, which previously accounted for [3 percent](#) of the UK economy, are expected to witness a 50 percent decrease in turnover as a result of our current crisis.

As the Covid-19 public health crisis hit, a groundswell of community action emerged: mutual aid groups have flourished, and people have volunteered in the hundreds of thousands for the NHS. The immense, commendable community organising effort could, however, be interpreted through ‘big society’ lenses, whereby communities are celebrated for having been forced to fill in for an under-funded, shrunken state. As we move forward and begin to reconstruct our economy, it is imperative that this upsurge in community power in response to this emergency provides a catalyst for change to amplify and grow business models like social enterprises, where the community and local state and embark on a joint mission to build a better economy, [as](#) “new partners and allies against the threat of state centralism and underfunded local services.” Crucial to this is an understanding that, while community approaches to business can alleviate inequality and embed community wealth, it must not be expected to replace the role of the state, a state that itself must become more participative and democratic.

13

Imbalances exist throughout the UK in terms of crisis support measures available for social enterprises. The Welsh and Scottish Governments have offered specific funding for social enterprises: The Welsh Government’s [Economic Resilience Fund](#) is open to social enterprises, and Scotland’s Third Sector Resilience [Fund](#) is providing £20 million through grants and £5 million has been available in flexible, zero percent interest loans. At a devolved level within England, cities such as [Liverpool](#) have sought to develop steps to make support available for social enterprises, while the UK Government has [pledged](#) £750 million for voluntary, community and social enterprise.

While gaps still exist in the current support structures offered to social enterprises, leaving employees, communities and direct beneficiaries less protected in a time of crisis, many of these inadequacies long predate the crisis, and are indicative of a support structure that emphasises evolving traditional business models, building on the need to reassess the support and advice on offer to social enterprises, from delivery to procurement and funding options.

The scale of the crisis is unprecedented, and its impact is likely to be long-term, meaning that immediate steps should be taken - alongside measures such as the furlough scheme and tax support - to provide support to social enterprises. Such measures must recognise both the specific barriers facing their future at this difficult moment and their critical role in retaining community wealth. In the midst of the crisis, social enterprises have [called](#) for measures such as a one-stop-shop for clarity about funding support and guidance; information on what to do if the situation goes on longer than expected; a commitment to extra funding if current funding runs out; and assurances that those without business premises also get support. In the longer term, one option could be to support local finance by looking towards the creation of mutual credit networks and community banks to plug the financing gap.

The Covid-19 public health crisis has also exposed levels of inequality in our society. In the UK, [one in five](#) social enterprises are based in the most deprived communities, often employing people from disadvantaged backgrounds, and social enterprises are also more likely to be led by women and Black, Asian and Minority Ethnic people. The consequences for marginalised communities, should we allow social enterprises to go under, are dire. The inequality built into many government interventions in response to the Covid-19 crisis threatens to exacerbate levels of inequality faced by communities benefiting from social enterprises. Rather than being shared fairly across society, Berry, Macfarlane and Nanda [note](#), “the economic risks and costs of the shutdown are disproportionately being shouldered by those who are already financially vulnerable. Even where the state steps in to share these risks, they will usually still take an economic hit. Meanwhile, the incomes of banks and landlords are effectively being underwritten without any obligation to take a similar hit. In effect, those least able to weather the crisis are being asked to make further sacrifices in order to protect the incomes of those ablest to weather it.” Instead, we need a strategy to build a new economic model, rooted in retaining and growing pluralistic business models that tackle the levels of inequality that have scarred our communities for too long.

There are immediate steps that should be considered, both at a central and local level, in the wake of the crisis. The unaffordability of a land and property market skewed in favour of traditional development and profit maximisation acts as an obstruction to the expansion of social enterprises. Meaningful action can be taken, not least in the form of [transferring](#) land and property allocated for development to local social enterprises, or public ownership of land which is then allocated based on use value, not exchange value.

Moreover, [social enterprise zones](#), which are driven alongside and for the benefit of service users and employees, can act as a way to shift how resources are channelled to social enterprises, as well as increasing support, delivery outcomes and governance. Introducing new social enterprise zones with planning capacity could be a feature of a broader reimagination of the current model of business growth hubs, to facilitate the advancement of community ownership.

#### — **Empowering cooperatives and mutuals to flourish**

Co-operatives and mutuals can provide an avenue to scale up pluralistic business models and democratise our economy; enabling a more democratic, collaborative model of ownership and allowing investment to be diverted back into community projects or allocated among members, thus sharing risks and rewards. While they are a minority element in the embroidery of democratic ownership, they remain a crucial and under-developed approach - a failing we must now address.

Co-operative models of ownership cover a range of business structures, like worker, consumer, producer, enterprise, community and multi-stakeholder co-operatives; all of which can provide an alternative to prevailing models of business that are geared towards maximising profits for a few. By reorienting focus away from shareholder returns, for example, and [towards](#) “people-centred enterprises owned, controlled and run by and for their members to realise their common economic, social, and cultural needs and aspirations”, co-operative forms of enterprise can provide a fairer, more resilient and productive business model. Recently new models of [unionised co-operatives](#) are emerging, supported by the expansion of the Co-operative College beyond Manchester to other places such as Preston.

The UK’s deeply financialised economy has created a challenging environment for cooperative business to flourish, contributing to the UK having one of the [smallest](#) co-operative

sectors relative to the size of its economy. Throughout the UK, there remains a need to create policy changes and adequate support to facilitate a thriving future for cooperatives. In place of the status quo, we need a new economic landscape that can pave the way for the scaling and rapid expansion of the cooperative economy.

As a basis for the rest of the recommendations, another barrier to allowing the cooperative movement to grow relates to a definitional matter, whereby a narrow classification of what constitutes as a cooperative can hold back progress, stressing the need to work towards a more comprehensive legislative definition of a co-operative enterprise.

Specific organisations already exist to strengthen and empower the growth of cooperatives. In Scotland, [Cooperative Development Scotland](#), an arm of Scotland's [enterprise agencies](#) exists to support the advancement of employee ownership and co-operative business models throughout Scotland. The [Wales Cooperative Centre](#), created in 1982, is a not-for-profit agency that works collaboratively with co-operatives for mutual benefit, share tools, resources, skills, knowledge and ideas, build relationships, and work with and for the sector the co-operative sector. The only body in Northern Ireland that is entirely devoted to developing co-operatives and community benefit societies is [Co-operatives Associates](#), which offers advice on legal, financial, business and democratic governance and provides training and business support to all groups who want to do business in a co-operative way.

At a UK level, [Co-operatives UK](#) acts as a network for Britain's thousands of co-operative businesses, which, collectively, are worth £38.2 billion to the British economy. Building on the direction of travel from Co-operative Development Scotland, a Co-operative Development Agencies should be rolled out in each country throughout the UK and should be given statutory [underpinning](#) to bolster institutional support and better integrate cooperative movements into central government planning and policy development. Part of this progression should involve an explicit recognition of the imbalances built into the design of the current business ownership landscape and offer concrete steps to foster a new path of co-operative models of ownership, such as carving our specific policy measures to simplify the acquisition path for employee buyouts and the co-operative sector.

Moreover, to assist in creating a resilient financial landscape, a co-operative Capital Development Fund could be formed to allocate funding to co-operatives and mutuals, financed by requiring co-operatives to deposit a small average of their profits, which would be sealed off from private distribution and made available to co-operative-based production. Accompanying the fund, a Co-operative Development Bank could be created with the goal of providing co-operatives and mutuals investment to finance growth or mutualisations.

Finally, a new “Right to Own” should be introduced. Modelled on Italy's [Marcora Law](#), which helped to create 257 new employee owned firms, this would give workers an effective right at the point their company is being sold or closed. Given Covid-19 is likely to trigger a high rate of business failure over the coming months, this policy – matched with a state holding company that could shelter otherwise viable business models during the crisis and protect them from market pressures – could provide a mechanism to significantly increase the number of co-operative or employee-owned companies.

#### — **Expanding worker ownership**

In order to see a fivefold expansion in employee and worker ownership by 2030, leading to one million employee and worker-owners in the UK, [Cooperatives UK](#) and the Employee Ownership Association set out the following demands for the UK Government: allocating £2.17 million over the next three years to support the voluntary expansion of employee and

worker ownership in new and existing firms, to help achieve a more productive, inclusive and geographically balanced economy; support five Local Enterprise Partnerships to pilot an intervention developed by the Employee Ownership Association and Co-operatives UK to raise awareness and practical understanding of employee and worker ownership among entrepreneurs, business owners and those who advise them and to provide them with expert facilitation and technical support.

To allow worker ownership to thrive and prosper, we propose a series of structural reforms, including measures to expand [Employee Ownership Trusts](#) (EOTs) - a form of business model in which a majority of a company's ownership is entrusted in its workforce to allowing the employee ownership trust to effectively acts as the majority shareholder. As opposed to the conventional model of company ownership - where capital hires labour - in an EOT-owned company, employees hire capital.

By holding shares in a company for the benefit of all its employees, an EOT constructs a model of common ownership, enabling employee participation in areas such as profits and corporate governance, giving employees a powerful collective level of distributional and control rights. EOTs could facilitate the transfer of shares of company profits to be channelled towards labour, would allow the workers creating the wealth to have a greater stake and say in the governance of the company, and can be advanced by a number of structural reforms, such as additional tax reliefs for business ownership transfers.

However, as it stands EOT-owned companies struggle to attract investment potential for external investors and often do not permit employees to form a significant capital stake. To turn this predicament around, the transfer of ownership to EOTs should be encouraged at the point of retirement, by taking [measures](#) such as: exempting vendor loans from certain taxes, introducing a "Right to Own" for EOT conversion, and incentivising inward investment by exempting EOTs from corporation tax where shares are allocated to employees on a collective basis and allocating shares to individual employees on an equitable, inclusive basis.

#### — **Upscaling community business**

Community businesses in the UK, as distinct from other forms of community-rooted business and local enterprise, are similar to social enterprise in that their profits are reinvested to positively benefit society but are distinct in that they do so within specific geographical designations. They are similar to place-based charitable trusts in that they manage assets, yet they are accountable to the beneficiary community which both participates and can even take legal ownership of the business. Power to Change [articulates](#) what unites community businesses is that they are locally rooted and serve the needs of place; they trade for the benefit of the local community; they are accountable to local people, with mechanisms for local people and communities to have a voice in the business; and they have a broad community impact. They take various forms, from pubs to farms, but face specific locational challenges.

We know that access to property and land is a major impediment to the rapid expansion of community business. Thus, we should look to create a new Community Right to Buy for England and Wales, which should mimic the provisions of Scotland's [Community Empowerment Act](#), which allows communities in Scotland to apply to register an interest in land and the opportunity to buy that land when it comes up for sale. This could be done by updating the [Localism Act 2011](#), and should include the right to buy abandoned, neglected or detrimental land where this causes social, environmental, or economic harm to communities, allowing the land to be converted to new community use.

In order to plug the access to finance gap, we recommend creating a new Community Business Kickstarter Fund worth £500 million as part of the proposed Covid-19 stimulus to enable community businesses to thrive on top of community-owned land. This fund would support would-be community organisations and existing community businesses to transform land and buildings into viable, thriving businesses by providing up-front revenue. Communities should be able to apply for funding support, covering feasibility assessment, capital funding for acquiring the building and related assets, and revenue funding to cover early running costs.

To expand capacity and know-how in the sector, local authorities should be required to develop - with the input of local community businesses - a [toolkit](#) to support businesses that includes the following: development support for incorporation and governance, business planning, and support for raising finances; learning forums, events, and peer networking opportunities; and using social value in procurement to support local community businesses where appropriate. Moreover, steps should be taken to ensure community businesses are represented in local policymaking, including representation on LEP boards, local authority economic development planning groups, and business improvement districts.

Last, we recommend undertaking a review of relevant legislation, auditing, and financial requirements to ensure community businesses enjoy a level playing field with other business models. The goal should be to ensure there is more patient, aligned equity for the social economy i.e. non extractive and aligned to community benefit in ways that conventional private equity do not, over the long term – and that the business form does not face legal or auditing disadvantages relative to others. Ideally, this should be part of a much wider reform of the Companies Act 2006 to promote more inclusive business models as the norm.

## 2 Building the infrastructure to the democratic economy:

National policies and legal frameworks

Building the democratic economy will require a combination of policy actions from the top-down in addition to the above-noted groundswell of strategies from the bottom up. Community Wealth Building is traditionally concerned with the latter, yet we believe that structural interventions, driven by a democratised state that reimagine economic relations, is essential to create the ecosystem for the flourishing of a democratic economy at all levels. In effect, they create the conditions for the fertile soil from which Community Wealth Building can grow.

## — **Delivering local Green New Deals**

Community wealth building approaches can unlock [local](#) Green New Deals across the country as part of the UK's response to Covid-19. From using capital investment to invest in low carbon projects that create good, unionised, local green jobs, to reorienting pension funds and municipal bonds to finance a just transition, to the environmental benefits of local supply chains, many of the tools of community wealth building can be used to conjoin economic and environmental justice.

First, CWB can advance municipal insourcing in key sectors, including energy, transport, and housing - with a mandate to deliver a net-zero transition in these areas. As both Common Wealth and CLES have explored, one option in terms of municipal energy governance that combines local authority power with community ownership and control is the 'public-commons partnership': a structure whereby state authorities and a 'commons association' enter into co-ownership alongside third sector partners to form a community-led vehicle, e.g. an energy company. Local innovation is best bolstered by action to reimagine ownership and governance of these sectors at a national level. Similarly, local authorities should use their powers over housing to drive a retrofitting revolution in building stock and deliver a new generation of spacious, energy efficient social homes.

Second, the power of finance must be used to drive green, place-based transitions that work for the community. In North Ayrshire, for example, their recovery plan is focused on scaling the green economy, with the intention of using their Investment Fund to invest in municipal energy generation. Community green banking initiatives can also play a part in financing new low-carbon projects, and local government pension portfolios should be reviewed and aligned with an ambitious net-zero target.

Third, the power of procurement should be used to reduce environmental impacts. From giving weighting to environmental impacts in procurement decisions, to targeting spending toward local low carbon suppliers along a 'green supply chain', to using procurement to stimulate new forms of energy efficient supply, there is ample scope for innovation that makes a decisive difference to emissions reductions and improves localities.

Fourth, green industrial strategies should seek to deliver good, green unionised work that meets the needs of place.

Fifth, against the economic logic of resource and wealth extraction, community wealth building must centre alternative goals and priorities in its spatial planning approach: social and environmental equity, thriving communities, and improving wellbeing. From incorporating climate tests into planning decision, to securing commons-based approach into town planning (such as community land trusts), to developing urban greenspaces and retrofitting building stock, to car-lite planning strategies, there is huge potential for innovative community wealth building approaches to help deliver local green-led economic recovery.

## — **A holding company to save enterprises**

With the economic fallout from the pandemic, we face the prospect of a massive ownership transition, on the back of a wave of business closures for small and medium-size enterprises and the concentration of economic power among a narrow set of corporate giants. According to newspaper reports, [six out of ten](#) UK businesses have just three months' worth of cash on hand or less, and it's [even worse](#) for social enterprises that depend on charitable funding. Unless something is done, large numbers of local businesses will go under (as many have already during the shutdown) or be acquired for pennies on the pound by private equity firms and large corporations. The pain of these closures will fall disproportionately

on low-income workers and communities. In rural areas, business closures could mean that economic recovery never comes.

To counter this threat to local economies The Democracy Collaborative has proposed the creation of a [public holding company](#) (or companies) to acquire and hold distressed business assets during the crisis until such time as they can be relaunched under democratic forms of ownership as part of the economic recovery. What to do with a potential tsunami of failing SME businesses? Employee ownership conversions are only an option in a viable going concern and the conditions for accessing capital to facilitate this are hardly promising under an economic shutdown. We do not want to burden a new cohort of worker-owners with unsustainable enterprises or load them up with unserviceable debt. Failing companies in this period could be mothballed until we fully pass through the emergency phase of the pandemic to when recovery begins and the stimulus kicks in. This means the creation of new national, or sub regional state-backed financial vehicles, as well as flexing existing institutions and tools.

Different places will require different bespoke vehicles, but we can also bend existing resources. In the UK, for instance, the Scottish Government has recently announced the creation of a Scottish National Investment Bank, a publicly owned development bank that will deliver finance for infrastructure development and strategic investment. We also need to think about city, regional and local state backed financial vehicles. In this, some learning from past Regional Development Agencies in England and existing enterprise agencies in Scotland may be useful. The crucial element here is that these vehicles are not used as a means of facilitating large-scale wealth extraction, but instead contribute to the generative economy of local and social forms of ownership.

As a recent Common Wealth report on a sustainable and just recovery for Scotland [argues](#), while the UK and Scottish Governments have provided funding support to businesses, the main pillar of the response has been to make it easier for businesses to take on new debt to see them through the crisis period. But it has been estimated that around a third of these businesses could struggle to repay these government-backed loans. Difficulties faced by smaller businesses are likely to be acute, leading to the possibility that distressed small and medium sized businesses could be bought out by larger competitors or by forms of predatory capital, exacerbating the concentrated business landscape. One option for Scotland, for example, could be the creation of a state holding company arm of the Scottish National Investment Bank that would purchase equity stakes in distressed but otherwise viable businesses that qualify for support.

### — **The creation of a Social Wealth Fund**

One way in which we can invest in an economy fit for the future is to create a [Social Wealth Fund](#) to purchase a broad range of assets in the UK and internationally, via a public sector debt-financed acquisition, to be held on behalf of the population.

The Social Wealth Fund would act as a collectively owned investment vehicle held in trust for all, with a mandate defined by the UK government and with operational independence, prioritising social and environmental goals over profit maximisation, and seeking a return on capital at least equivalent to the government's medium-term cost of capital across its investment portfolio. It should have two distinct arms: one, investing in assets in the UK, the other purchasing assets globally.

The UK government could issue new Treasury bonds and use the cash raised to purchase a broad range of assets to endow the Social Wealth Fund, which could be complemented by the creation of money through the Bank of England's quantitative easing programme being used to

purchase corporate equity, as well as feed-in from other sources of financing, such as wealth taxes. Income to the Fund can then be divided between reinvestment to allow the Fund to scale, and returning benefits to the public, for example through distributing an annual universal capital dividend to the population, an annual capital grant targeted at specific demographics, or to help meet ongoing public liabilities.

The creation of a Social Wealth Fund could serve as a vital institution in the post-crisis economic reconstruction, by growing net public wealth; providing an investment vehicle capable of addressing key social goals; acting as a force for convergence, socialising a growing share of corporate and institutional wealth and therefore reducing sharp inequalities in wealth; increasing intergenerational fairness by transferring some resources from current to future generations; and shifting the allocation of resources toward long-term investment over current consumption. A Social Wealth Fund can also play a crucial role in macroeconomic management: in purchasing equity and other assets at reduced prices while borrowing costs are low, the Fund can help stabilise markets while ensuring that if and when there is a recovery in share prices that the public benefit gains a windfall from their collective investment. At the same time, a social wealth fund with overseas holdings could perform a [countercyclical](#) function, cushioning the effects of a UK recession.

### — **A National Investment Bank**

The UK should establish a National Investment Bank, a state-owned and publicly capitalised institution which provides financing to public and private bodies in service to the social good. This should be a mission-oriented public bank which would seek to catalyse transformational change in key areas. Drawing from the example of the recently established [Scottish National Investment Bank](#), the NIB would be ‘mission orientated’ in its approach, generating a return across its portfolio as a whole but shifting the traditional investment focus of profit maximisation toward tackling challenges such as securing a just transition or improving quality of life and place through its investments.

One of the UK’s NIBs key missions should be to support the community wealth building model of economic development. To deliver this mandate, a National Investment Bank should have an explicit objective to provide patient risk capital to safeguard long-term funding for the co-operative, mutual and social enterprise sector.

The governance of the NIB is also critical to its functioning. The Board of Governors should include at least one Minister, one trade union representative, two representatives from civil society, one representative from local authorities, and one representative from a social enterprise or community wealth building background – and the number of Board members from the private sector should be capped at one-third.

### — **Inclusive Ownership Funds**

[Inclusive Ownership Funds](#) (IOF) would help advance the aims and objectives of a pluralistic community business landscape. A combination of the re-concentration of shareholding, the primacy of shareholder interest in shaping company behaviour, and the weakness of labour has helped turn many companies into engines of wealth extraction for external owners, institutional investors, and senior management, often at the expense of the workers and communities who generate value. But reform can still transform the company from an institution of extraction to a generative entity: purposeful and democratically governed, where all its stakeholders have stake and a say in the wealth we create in common.

To this end, we recommend the rollout of IOFs, which would require large companies to gradually dilute existing shareholders by transferring a defined share of income and control

rights to an employee-controlled fund. This would redistribute economic and political rights away from external shareholders and executive management toward the workforce as a collective, granting rights over UK economic activity proportionate to the Fund's shareholding. The Fund would have a democratic say in how shares are voted, the distribution of any profits the Fund receives through its ownership stake, and the general governance of the fund. In doing so, as the network of Funds grew – potentially supported by sectoral funds - they could act as institutions that reimagine the company as an institution that focuses on meeting needs and providing good work, rather than the maximisation of shareholder value solely directed by market preferences.

Current investor principles of remuneration already allow for companies to issue new shares to employees – through executive remuneration and all-employee share schemes – up to 10% of the issued ordinary share capital in any rolling 10 year period. However, given inequalities in power within the company, new shares issued to employees disproportionately benefits senior executive management. This proposal therefore redraws existing principles of share dilution in a progressive direction, building a collective stake for the workforce over a finite period of time - and creates more inclusive, democratic companies in the process.

### — **A Community Wealth Building Act**

The Democracy Collaborative has already drafted a Community Wealth Building Act for the United States Congress, and has been in dialogue with the New Economics Foundation and the Centre for Local Economic Strategies about drafting something similar for the UK, while Common Wealth is [advocating](#) the same for the Scottish Government. The Act would draw upon the experience of councils already engaged in such strategies and provide a supportive national, legal, and regulatory framework for this work locally. Informed by the best thinking on and existing efforts to codify Community Wealth Building into a set of policy proposals at different levels (perhaps along CLES's five pillars), such an Act could promote Community Wealth Building by developing an integrated strategy and set of activities and processes that foster economic regeneration. These would capture a number of the recommended reforms already here articulated, including: advancing shared-ownership mechanisms (including employee ownership, cooperatives, community development financial institutions, community land trusts, and social enterprise) to create local economic stability; linking land use planning and stewardship to transportation access, energy use, affordable housing, and local job creation and economic development; increasing economic multipliers to spur locally-oriented economic growth; leveraging anchor institutions to focus their procurement, investment, and other economic activities toward local ends; and mandating a [social licence to operate](#) that would mean providers can only enter particular markets if they can guarantee the provision of social benefits to communities and stakeholders. Such an act could be complimented by a Wellbeing Act brought about in each of the UK's parliaments, which can build on a [wellbeing economy agenda](#) and could help facilitate the shared visions and values of Community Wealth Building.

### — **A new fiscal settlement for local government**

To support an ambitious agenda of Community Wealth Building, we believe it is time to reconsider local authority funding. After a decade of austerity, three major problems stand out: local government faces a large funding gap even if they are to maintain services at 2019/20 levels; business rates, one of two main sources of local authority funding, is an ineffective tax and source of revenue; and the system of redistribution of revenue between authorities is in urgent need of reform. This new settlement should both reverse a decade of austerity, while supporting the growth of wealth within communities. One option, as explored by [NEF](#), would

be starting with a reform of business rates, and introducing separate taxation of land as part of a two-rate system, with differential rates of tax on land and property. The full design is of obvious necessity, while being beyond the scope of this paper.

#### — **Reforming procurement policies to stimulate local supply**

Purchasing by public sector organisations has taken on an urgent new significance as market failure during the pandemic has paralysed key sectors such as medical equipment, food and utilities. In Community Wealth Building, anchor purchasing is a means to use public money to shape a more democratic local economy and enhance local multipliers. It must now be used to meet new challenges. The policy context has rapidly shifted, with the UK government having notified all public sector buyers that they may enter contracts “without competing or advertising” in response to Covid-19. The Cabinet Office’s [Procurement Policy Note](#) (PPN) notes that under these exceptional circumstances anchor institutions will be allowed to circumvent existing procurement regulations, especially as regards procuring for medical equipment.

The new context creates both challenges and opportunities for the Community Wealth Building approach to anchor purchasing. The challenge is that these exceptional circumstances might force public sector buyers back into old habits, dropping social and environmental value obligations. Yet the opportunity here is that the present crisis further confirms the importance of public spending and the goods and services it directly provides and procures. As the commercial economy shrinks, public sector spending will become an increasingly important means of stimulating supply and meeting local demand. With travel capacity diminished, a re-localisation of spend could help local economies both reduce carbon footprint and rebuild on a more economically resilient basis than before the crisis. Anchor procurement should continually be viewed through an economic development lens and as the basis for serving demand in the local economy and animating local supply as a key lever of local industrial strategy.

Furthermore, with Brexit and the fact that the UK is no longer subject to European Union procurement law, there is both a need and opportunity for a complete overhaul of public procurement regulation.

## 3 Conclusion

We sit at an historic crossroads where the Covid-19 crisis has laid bare the failures of our current system and positioned us on the precipice of change. We cannot return to business as usual and we must resist at all costs a doubling down on neoliberalism that was pushing beyond ecological limits and characterised by wealth extraction, inequality, poverty and precariousness. From the dogged hard work of activists, innovators, entrepreneurs, local leaders, and organisations on the ground, Community Wealth Building and the movement to advance a democratic economy has been an effective response to the ills of our system. Now is the time for it to step fully into its transformative potential – to become the accepted means by which we transform our local economies and build a new political economic system from the ground up that serves all people and the planet.