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Report to the Finance Strategic Policy Committee

Community Wealth Building

1.0 Background

At the March meeting of the Finance SPC, it was agreed that the subject of *Community Wealth Building* would be reviewed and a report for information purposes brought to the next meeting. Since then, the Finance SPC Chairperson and the Head of Finance have reviewed material (articles, websites, publications etc.) available on this subject. The purpose of this report is to provide Finance SPC members with a broad understanding of the topic and is not intended to be a definitive CWB account. The report structure is detailed below and for clarity examples of CWB in the US, Europe and UK are just one case highlighted for information, with many more in operation in each jurisdiction.

Report Structure

- What is Community Wealth Building
- Components of Community Wealth Building
- Place
- The role of Anchor Institutions
- Community Wealth Building in the US: Cleveland
- Community Wealth Building in Europe: Mondragon
- Community Wealth Building in the UK: Preston
- Next Steps

2.0 What is Community Wealth Building?

Community Wealth Building (CWB) is an umbrella term for initiatives which aim to increase access to opportunities to a broader community base. CWB is growing in use as an effective approach to local economic development. Worldwide, there has been an acceleration in the movement of capital to global investors who are often remote to the local economy, from local businesses. This trend is thought to have contributed to lower paid jobs through stringent cost reduction programmes, with entities capable of moving capital elsewhere based on global investment decisions. The shift of capital in society has resulted in a wider range between those holding large stocks of capital and those not having capital. This pattern contributes to a reduction in economic opportunities available locally. CWB seeks to minimise the level of local capital extracted from the local community through targeted opportunities for local suppliers / businesses. In this way, greater values of capital, wealth and income are circulated locally, thereby building the local economy and ultimately communities.

The Democratic Collaborative (TDC) a US based CWB advocate organisation, defines it as *'a systems approach to economic development that creates an inclusive, sustainable economy built on locally rooted and broadly held ownership. This framework for development calls for developing place-based assets of many kinds, working collaboratively, tapping large sources of demand, and fostering economic institutions and ecosystems of support for enterprises rooted in community. The aim is to create a new system that enables inclusive enterprises and communities to thrive and helps families increase economic security.'*

3. Components of Community Wealth Building

There are several components of CWB, with some or all of these implemented in the different places (Cities, Regions etc.) implementing a CWB strategy. The Centre for Local Economic Strategies (CLES) a UK based CWB advocate organisation states these as:

A. Broad based ownership of the economy

CWB seeks to develop a more diverse blend of ownership models: returning more economic power to local people and institutions. This approach is taken on the belief that small enterprises, community organisations, cooperatives and forms of municipal ownership are more economically generative for the local economy, than large or public limited companies.

B. Local financial capacity working for the local economy

CWB is about taking advantage of local wealth as against targeting international capital. The concept is to prioritise local economic development so that investment is channelled to local communities while still delivering a steady financial return for investors.

C. Fair employment

The employment policies taken by anchor institutions, which typically are large employers can significantly positively influenced outcomes for local people. CWB employment policy measures include paying the living rather than minimum wage, progression routes for staff and targeted recruitment from disadvantaged areas.

D. Targeted procurement

CWB seeks to use procurement to build and strengthen local supply chains. This involves a focus on SMEs, employee owned businesses, social enterprises, cooperatives and other forms of community business. These types of businesses have been shown to be more likely to support local employment and have a greater propensity to retain wealth locally.

E. Socially productive use of land and property

A large proportion of local assets are typically owned by Anchor institutions. CWB looks to broaden the use and exploitation of these assets so that the community benefits from any financial gain. This is in addition to extended community use of anchor institution assets. All of these increases a greater sense of citizen ownership of place.

CWB is considered to bring local benefits but also benefits at a national and international level. These benefits are environmental (shortened supply chains), social (social return maximised through CWB economic activity) and productivity (reduced unemployment)

4. Place

CWB seeks to maximise the use of local assets / facilities / opportunities for local residents and businesses. It involves a focus and priority to the locality in contrast with the increasing trend of globalisation. This approach underlines an importance given to

the lived economy of placed based jobs, lands and institutions. A strong connection to the locality is a key driver for CWB. Across the world, place can be a greater indicator of life expectancy than genetic factors. By focusing on place, all those associated with a city or a region, whether disadvantaged or advantaged, are included. The focus of CWB is to develop local assets, not to increase or further develop social services. CWB seeks to identify opportunities in assets within a community (anchor institutions as an example) to build a broad based local economy that increases income and wealth share. People who possess skills, savings, or some degree of ownership in a business are seen to be more resilient to shocks such as unemployment.

5. The role of Anchor Institutions

Anchor institutions are public sector organisations that are placed based. Examples of anchor institutions are local authorities, local hospitals, and local universities. Unlike private sector entities, which may leave a local economy because of commercial considerations, anchor institutions are rooted to their local economy. The importance of these organisations to local economies has increased in recent years as trends have accelerated around the decline of manufacturing, the rise of services and increasing globalisation. Anchor institutions are likely to be significant employers within their locality/region. CWB seeks to divert some of the economic opportunities arising through anchor institutions to the local economy. Anchor institutions are sometimes termed Eds and Meds reflecting the healthcare and education based entities. Typically Local Government acts as the leader / catalyst to open the discussion on what anchor institutions can do for the local community through economic measures.

Other examples of anchor institutions that could become involved with CWB are cultural institutions (such as museums) locally-based charities and faith-based institutions (such as churches).

6. Community Wealth Building in the US: Cleveland

Cleveland, a former manufacturing centre, in recent years has adopted an asset-based approach to development, concentrating on its people, institutions, and geography. The City has partnered with the local anchors (university, hospital, and community organisations) to establish the Greater University Circle Initiative (GUCI). This is a place-based urban revitalization strategy aimed at economic inclusion, community engagement, physical development, and institutional partnerships. GUCI looks to improving the community through access by marginalised residents to the opportunities available through anchor institutions. Cleveland has provided loans, remediated brownfield lands and assisted GUCI in securing funding. Cleveland City has been central to creating the worker-owned Evergreen Cooperatives, a key component of GUCI's buy local efforts. The Evergreen Cooperatives include Green City Growers and the Evergreen Cooperative Laundry.

7. Community Wealth Building in Europe: Mondragon

Mondragon is a cooperative business project established in 1956, named after the Spanish town in the Basque region in which it was formed. The aims of Mondragon are human promotion being employment, following from that, the personal and professional advancement of those it employs and social development being community as a priority. The core values of Mondragon are corporate social responsibility, inter-cooperation, innovation, education and social transformation.

Mondragon has four divisions – Finance, Industry, Retail and Knowledge. The most recent data points to over 81,000 employees, 96 separate cooperatives and is the tenth largest organisation in Spain, the largest in the Basque region. Mondragon has been described as a series of diverse organisations sharing common values working together to achieve success and social impact. Those involved with Mondragon share a strong commitment to social sustainability through broadly distributed wealth and social benefits. The Basque region has the lowest unemployment rate in Spain, although undoubtedly that cannot be attributed to Mondragon alone. Mondragon was specifically created to meet the needs within the community, through a cooperative community response. An aspect of Mondragon is the high levels of equality among the cooperative members.

8. Community Wealth Building in the UK: Preston

Preston City Council adopted CWB in 2012, through its role as a large employer, a major purchaser of goods and services and critically as a leader of place. The work undertaken in Preston is known as 'The Preston Model' and is considered to have successfully promoted inclusive growth of the local economy. Preston is regarded as a pioneering authority in the UK for CWB. Preston has secured tangible achievements to date having increased the proportion of its own procurement spend in the local economy and encouraged other anchor institutions to follow. In tandem, Preston has actively encouraged suppliers to add to the 'social value' of their contracts by providing locally targeted training and employment opportunities. Preston City Council became the first local authority in the north of England to be accredited by the Real Living Wage Foundation, and encouraged other anchors to follow.

So as to mainstream CWB, Preston have integrated the extension of local employment, apprenticeship and training opportunities within its own planning process. It has also supported greater diversity of ownership in the local economy by investing directly in key assets in the centre of the city, bringing services back in-house and promoting worker cooperatives and community businesses. Note that the direct investment occurred through the management of the staff pension fund. In the UK local authorities hold and manage staff pension funds and thus investment decisions are a key issue. DCC does not hold a staff pension fund as the local authority accounting requirements that DCC must follow state that pension income (i.e. staff contributions) are held in the day-to-day (revenue) budget to be applied to pension costs. On a broader financial perspective Preston has encouraged more financial wealth to be retained locally by contributing to the establishment of a regional development bank.

9. Next Steps

There is a considerable amount of material available relating to CWB. It may be helpful for SPC members to receive a presentation on the subject to become more informed. If this is agreeable, arrangements will be made to have this for the next meeting.

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With responsibility for ICT

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