Own the future

A guide for new local economies

CLES

the national organisation for local economies

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CLES is the national organisation for local economies - developing progressive economics for people, planet and place. We work by thinking and doing, to achieve social justice and effective public services.

About this guide

There can be little doubt that the Covid-19 pandemic has served as a stark reminder that our economic model has failed us.

Far from delivering on the promise of prosperity for all, it has left too many less secure and worse off, enriched the already wealthy few and propelled us further down the road to ecological disaster. In the face of unprecedented economic challenge, we need to reset and build a new economy: one in which wellbeing stands above economic growth. To date, such a commitment has been absent at the UK level. Whilst statements about building back better have been made, at the time of writing we are yet to see how this is to be achieved.

This guide aims to give much-needed substance to these ambitions. It sets out an achievable vision for the just recovery and social, democratic and economic reform of localities, led by local authorities. To do so, it uses the framework of community wealth building – a people-centred approach to local economic development that CLES and others have advanced in the UK and internationally over the last 10 years.

Despite the catastrophic funding shortfalls that have beset local authorities for the last decade, and now look set to grow, there is much that they can do to mobilise a community wealth building approach. This document provides a practical guide for the willing. It sets out two roles for **local authorities** which, taken together, constitute a powerful model for progressive local economic development:

For this guide we use the phrase local authorities to include all scales of local economic governance - including combined authorities

- **The analyst**
  By developing and maintaining a deep understanding of the local economy and the impacts of the Covid-19 pandemic in their area, local authorities will be critical to creating a local economy which addresses the interconnected priorities of poverty, ill health, social isolation and inequality.

- **The anchor and agent of change**
  By realising the potential of their role as an **anchor institution** for their place, local authorities – and other large, locally rooted institutions – will be key sources of the purchasing power, assets and employment with which economies can be recovered and reformed. By using these levers, local authorities will exercise strong, confident intervention in local economies to advance the cause of social and economic justice for all.

In this guide we use the term anchor institutions to refer to large commercial, public and social sector organisations which have a significant stake in a place and can utilise economic power to exert sizable influence upon economic, social, and environmental priorities

In setting out these actions, we recognise that they go against some of the prevailing winds of the policy and financial framework of the UK. That is why, throughout this guide, we supplement our practical prescriptions for action with information on national policy changes which are needed to truly realise reform.

The proposals set out in this guide will not be easy. They run part-counter to the prevailing orthodoxy and the thrust of much UK-wide national policy and are hamstrung without a comprehensive and just financial settlement for local government. But if we are to build new economies that work for communities, that work to address climate change and create resilience where there is risk and precarity, then this is the approach we must take.

There is no alternative. This must be the new mainstream.

Who this guide is for

This guide has been written for politicians, officers, community activists, interested citizens and all levels of UK local government who are committed to building back better. It recognises that local authorities cannot act alone in this work as they operate within a complex landscape of economic development including Local Enterprise Partnerships, national and regional economic agencies, business groups, their local anchor institutions and other tiers of local government. The vision outlined here and specific proposals for realising it will therefore be of relevance to the wider local economic development family.

Contents

Introduction

By the end of the first three months of the UK's 2020 Covid-19 lockdown, local economies had already suffered severe damage – jobs and livelihoods had been lost, businesses had collapsed and whole sectors were on the brink. This is a fast-moving situation but there can be little doubt that we are entering into a recession unprecedented in its depth and breadth, triggering era-defining social hardship and dislocation.

More fundamentally still, the pandemic has laid bare the fragilities and failings of our national and local economies following a decade of austerity. Our economic model has resulted in poorly paid, insecure work, a gulf between property owners and renters and profits that are too readily extracted to distant shareholders at the expense of local people. With the economy battered by the effects of the pandemic, the risk is that this dysfunction will be magnified in the scramble to get the economy back on its feet again.

> "The pandemic has laid bare the fragilities and failings of our national and local economies following a decade of austerity."

We know that a recovery which merely attempts to build back a semblance of what we had will fail, burdened by global slowdown, lack of demand and a huge shift in consumption patterns. The climate emergency and this pandemic have both exposed deep-rooted failings and we now need a new type of economy. The mainstream economic development practices of the pre-Covid-19 period cannot provide a road map for the task.

The commitments made to redoubling "levelling up" of the UK economy will herald a wave of government spending on capital infrastructure. Local authorities will be encouraged to identify "shovel ready" projects which could be accelerated, particularly in "left behind" areas. In practice these projects risk exacerbating inequalities. Too often, infrastructure spending translates into inflated property values and contracts for large companies which, while they might nudge up GVA, do very little to develop thriving local economies.

More than ever, the time has come to reset local economic development by placing community wealth building at the heart of the recovery effort. It is in answering that imperative that we have produced this guide.

Community wealth building

Emerging in the 2010s, community wealth building is a model of local economic development which tackles head on the challenges of rising inequality and wealth extraction. To do so, community wealth building rejects the assumption favoured by outmoded economic development approaches – that once investment capital has been secured, wealth, jobs and opportunity will trickle down for all to share. Instead, at its core is a drive to replace extractive models of wealth ownership – those companies whose business model relies on maximising profits to distant shareholders – with locally productive forms of business. These "generative" businesses are firms in which the wealth created is shared broadly between owners, workers and consumers, ultimately increasing local multipliers as wealth flows through to local people and places[1].

To drive this transition, community wealth building develops practical actions to harness the power of anchor institutions to enable local economies to grow and develop from within. Anchor institutions are large commercial, public and social sector organisations which

Five pillars of community wealth building

Finance

Increase flows of investment within local economies by harnessing and recirculating the wealth that exists, as opposed to attracting capital.

Land and property

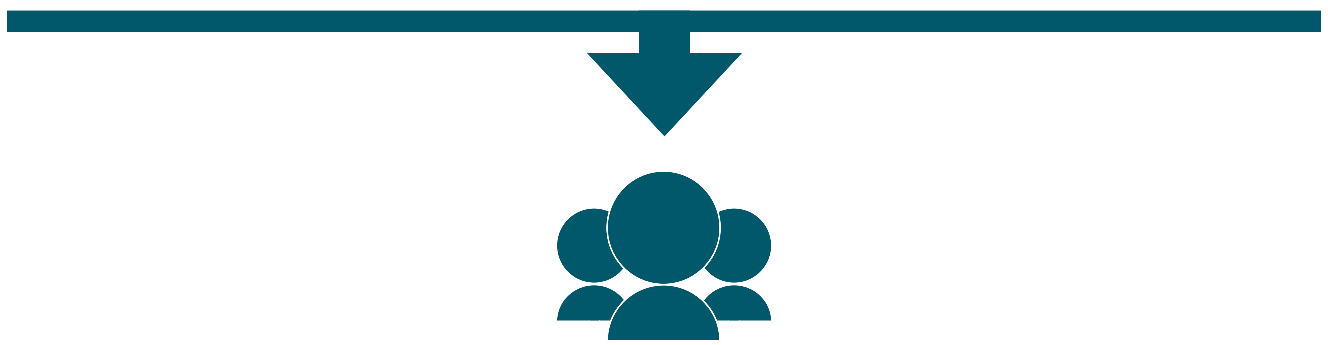
Deepen the function and ownership of local assets held by anchor institutions, so that financial and social gain is harnessed by citizens.

Spending

Utilise public sector procurement and commissioning to develop dense local supply chains of businesses likely to support good employment and retain work locally.

Workforce

Exercise fair employment practices and work to develop a more just labour market to improve the prospects and wellbeing of local people.



Building the generative economy

Develop and grow small, locally owned enterprises which are more financially generative for the local economy - locking wealth into place.

have a significant stake in a place. They can exert sizable influence on the functioning of their local economies by applying the five core strategies of community wealth building.

Many of the practice elements of community wealth building are familiar: insourcing of public services, mutual models of business ownership and municipal enterprise all have a decades long history in the UK and Europe. Building on this heritage, CLES' work on community wealth building provides a comprehensive approach to local economic development geared to the contemporary challenges of austerity, financialisation and automation.

The community wealth building agenda is growing. In 2019 we saw the first city regions adopt a community wealth building approach, the Welsh and Scottish governments committing to elements of community wealth building and an explosion in the numbers of councils, health institutions, combined authorities, housing associations and universities adopting its principles and practice.[2]

Local authorities have been at the forefront of community wealth building thus far, and the work of councils across the UK provides us with a strong body of practice and inspiration – highlighted throughout this guide – as we face the challenges ahead.

Community wealth building and Covid-19

The Covid-19 pandemic has wrought considerable damage to livelihoods and the local economies that sustain them. But it has also prompted a surge in citizen action, with millions of acts of kindness, neighbourliness and social solidarity.[3] This social and public "relational economy" has stepped in where the private and commercial "transactional economy" and market has fallen short. In some places this mobilisation of citizens has prompted the beginning of a new relationship with local government and the economy, where an emboldened citizen activism may start to deliver more economic activity. The opportunity now is for this energy to drive a wider, post-pandemic mobilisation of citizen power – one focused on growing the economic stake of workers, consumers and citizens, within the market.

"Our emphasis is on practical actions which, while ambitious, are feasible."

This guide illustrates the practical mechanisms for this mobilisation to take place. It follows two papers produced by CLES in response to the Covid-19 pandemic. The first of these, **Owning the Future**, made the case for the pandemic to become a pivotal point in our economic model, with recovery directed towards shifting ownership of wealth from large firms and to citizens. The second, **Rescue, Recovery, Reform**, outlined a framework for action. In the chapters that follow, we elaborate on this framework by setting out practical actions for local authorities committed to realising the vision set out in Owning the Future:

> *"The Covid-19 pandemic could become a moment of crystallisation, with citizens and governments working together to build a new social contact and genuinely inclusive economy. This could be prefigured and sustained by the extraordinary rise of social solidarity and mutual aid generated by the pandemic, which could then snowball into a movement for deep and lasting political-economic change."* [4]

As we set out these actions, we are aware that, for many of the things that we propose, there is a limiting policy and financial framework in the UK. Nevertheless, our emphasis is on practical actions which, while ambitious, are feasible within these restrictions. However, to realise the full extent of their potential, they will require far reaching national policy and fiscal reform. That is why we identify key policy changes which will enable these to happen.

While the UK context is critical, it is important to note that across the UK and its devolved nations and administrations economic policy varies significantly, as does legislation and resourcing in key devolved areas. These distinctions create very different climates for action on local economic recovery and reform. For example, in Wales there is a programme of community wealth building, embraced by the Wellbeing of Future Generations Act. Similarly, the Scottish government has already committed to community wealth building as a key element of social and economic renewal.

How to use this guide

This publication is a guide to practical action for just local economic recovery and democratic local economic reform. It is divided into two sections, relating to the key roles that local authorities must now adopt:

- **The analyst**
  In this section we set out the key steps to developing and maintaining a deep understanding of the underlying state of local economies and the impacts of the Covid-19 pandemic in the local area.

- **The anchor and agent of change**
  In this section we introduce the concept of anchor institutions and explore the key role that they will play in post-Covid-19 economic recovery and reform. We then set out practical actions in five strategy areas, relating to the pillars of community wealth building:
  - Building the generative economy
  - Finance
  - Land and property
  - Spending
  - Workforce

  In the final part of this section we explain how local authorities can bring together the tactics and levers explored in the preceding sections to drive reform, with worked examples in key sectors.

The proposals we set out in this guide constitute a toolbox for deep rooted local economic reform. The precise calibration of action will, of course, need to be tailored both to the local economic context and to the powers and assets of individual local authorities. Animating them will require bold and ambitious leadership but the rewards will be substantial.

1

The analyst

By developing and maintaining a deep understanding of the local economy and the impacts of the Covid-19 pandemic in their area, local authorities will be critical to creating a local economy which addresses the interconnected priorities of poverty, ill-health, social isolation and inequality.

Throughout the pandemic local authorities have deepened and broadened their relationships with businesses and workers. These relationships and insight provide a key foundation for the work that must now be done. In this chapter we set out how to build on those foundations to create a targeted plan of action, based on the principles of community wealth building, which not only seeks to recover but also to seize the moment to create new local economies.

Community wealth building restructures the composition of local economies so that the wealth created locally is more widely shared. To do so requires an understanding of the underlying state of the local economy and the ability to describe and quantify the impacts that changes in policy and practice can bring about.

Mindset is important here – how this information is considered and used will determine the trajectory of the local economy. To move forward, the architects of recovery and reform plans require a deep appreciation of the need for a new type of local economy and a clear vision for meaningful local economic reform. For some in the local economic development community there is talk of a post pandemic "bounce back", that we will get back to something akin to "normal". This is fanciful. The shock of the economic shutdown will persist with a widely predicted global slowdown, changed consumption patterns and a lack of demand as incomes are hit. Furthermore, a restoration of what we had before is deeply undesirable. Behind the statistics of rising GVA and record levels of employment before Covid-19 hit were local economies riddled with wealth extraction, lacking resilience and characterised by unacceptable levels of insecure work, inequality, poverty and environmental harm.

The current pandemic has exposed and exacerbated these vulnerabilities. As we move forward, we require a clear-eyed view of the operation of local economies – who they benefit and who they don't.

Target sectors

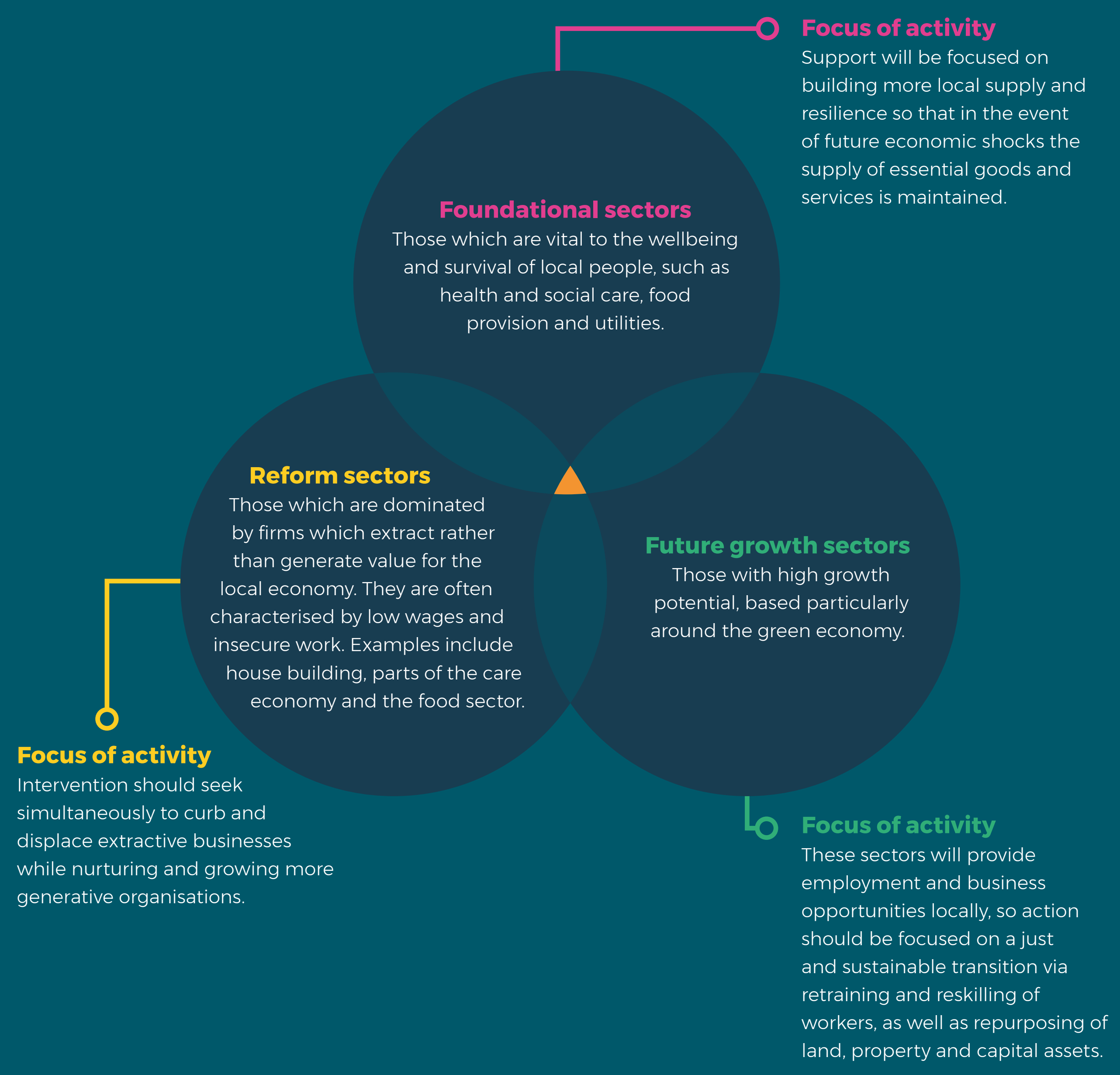
A deep understanding of the magnitude of the fast-moving impacts resulting from the pandemic will be necessary to appreciate the scope and scale of the interventions needed to build new local economies. It will be vital to develop a granular picture of how exposed they are in terms of sectors, occupations and employment.

A robust sectoral analysis is crucial to effective community wealth building activity. Rescue and reform plans must be rooted in an understanding of the underlying dynamics within different sectors of the economy and key consideration should be given to:

- the types of businesses represented in these sectors and their ownership profiles;
- their workforce and labour market profile; and
- the projected impact of Covid-19.

Throughout this guide we refer to and highlight work relating to **target sectors**, those sectors which are of strategic importance to the local economy and where recovery and reform activity will be focused. In the diagram below we identify and describe three types of target sector and outline the key elements of recovery and reform activity that relate to them.

It is important to note that these three categories are not mutually exclusive. For example, the adult social care sector is part of the foundational economy. However, its often-extractive nature means that it could be considered as a reform sector. It also represents an opportunity for job and supply growth and so could be considered a future growth sector. A rescue and reform plan may therefore seek to achieve change across a range of outcomes: building the resilience of the sector as a whole, curbing the extraction of wealth and growing more generative local supply.



Anchor footprints

Co-ordinated activity, across anchor institutions, can be based on effective analysis of their existing and potential local economic footprint including:

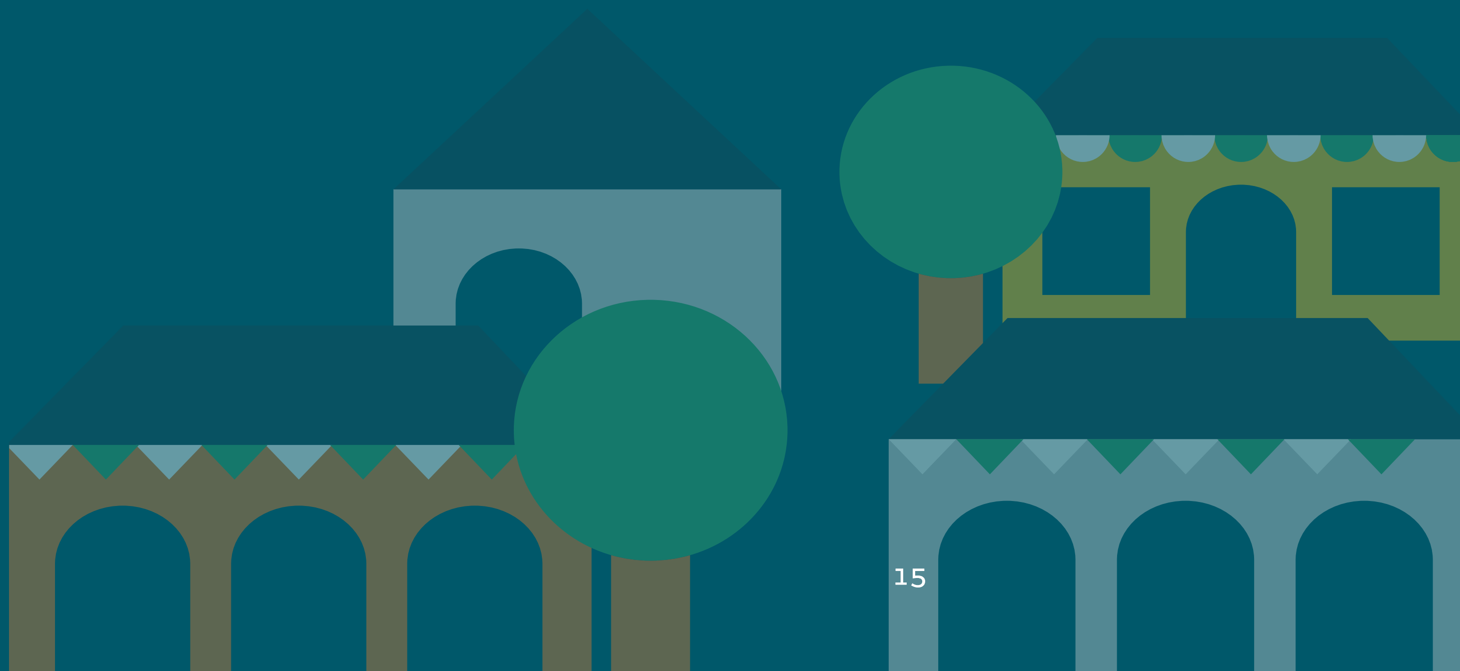
- **Supply chain –** understanding the degree to which anchor procurement and commissioning activity can be flexed to support core, key and future growth sectors and create additional opportunities for local businesses and the local workforce.
- **Workforce –** understanding the scope and profile of anchor workforce strategies to enable the targeting of recruitment and support activity.
- **Assets –** reviewing anchor asset and property portfolios to determine how they can support local economic recovery.

Measuring success

How we measure success from a local economic development perspective is vital to both the diagnosis of the current situation and to enable monitoring of progress towards new local economies. Economic analysis has for years obsessed with measures that are increasingly irrelevant to people's lived experiences and assessments which belie everyday observations in our neighbourhoods and communities. Community wealth building, instead, asks a more fundamental question: “what is a local economy for?” and reorients measures of success accordingly – taking in the ability of our local economies to meet basic needs, promote wellbeing and safeguard the environment.

Inequality

The social and economic impacts of the pandemic are far from uniformly distributed. They are being experienced in profoundly unequal ways by individuals, families and communities, with some sections of the population at much greater risk than others. Beyond the health impacts of Covid-19, analysis to date has demonstrated that women, young people, people from BAME communities and those in lower paid occupations have been at increased risk of job loss, underlining the stark inequalities already present within and between local communities.[5] Work to analyse further the risk faced by specific groups of people needs to be made a priority as we move into recovery. Developing a detailed understanding of this variability and designing in proactive action to ensure these inequalities are tackled head on in the development of local recovery and reform plans will be essential.



2

The anchor and agent of change

By realising the potential of their role as an anchor institution for their place, local authorities – and other large, locally rooted institutions – will be key sources of the purchasing power, assets and employment with which economies can be rescued and reformed. By using these levers, local authorities will exercise strong, confident intervention in local economies to advance the cause of social and economic justice for all.

In community wealth building we seek to harness the power of anchor institutions to enable local economies to grow and develop from within by creating and reinforcing local economic ties.

Over recent years we have seen growing recognition of the concept of anchor institutions.[6] Work in localities such as Preston, Manchester, Birmingham and Leeds have shown how they can harness their economic footprint to make significant interventions in the local economy, for the benefit of local people.[7] Since 2018, CLES' Community Wealth Building Centre of Excellence has acted as a conduit to develop this practice in the UK.[8]

Significantly, these ideas have also gained recognition in national governments and public sector institutions. The NHS Long Term Plan explicitly recognises the power of local NHS bodies as anchor institutions. As an employer of 1.4 million people, with an annual budget of £114bn, the health service is a major economic agent in localities.[9] Similarly, the UK government-endorsed Civic Universities Commission is framed around the role of higher education institutions as significant anchors in local economies and CLES has worked with the early adopters of Civic University Agreements to incorporate actions to channel their buying power, recruitment and financial and physical assets to support inclusive local economic development.[10] In other sectors such as policing and housing, we now have strong examples of such approaches translating into strategic and operational change, albeit often prompted by leadership from a local authority.

Anchor institutions and new local economies

Covid-19 has highlighted the dysfunctions in local economies which are all too often insecure. Anchor institutions are a counterweight to these weaknesses, offering economic ballast and, in many cases, a democratic mandate to act in the interests of people.

To date, many public sector institutions have proved themselves less vulnerable to the economic shocks of Covid-19 which have disrupted other organisations. Their assets mean they have had greater flexibility to respond to changing circumstances and, in the immediate response to the pandemic, many have stepped in to address the needs of local people. As we move further into the recovery phase of the pandemic, the need for proactive anchor institution strategies is being amplified by two factors.

> "As we move further into the recovery phase of the pandemic, the need for proactive anchor institution strategies is being amplified."

First, public sector employment is likely to be hit less hard than in the commercial sector, meaning that the percentage of public employment in local economies is likely to increase. Nationally, 16.5% of all people in paid work are employed in the public sector.[11,12] The collapse of certain parts of the commercial sector is likely to take many years to recover; meaning that, in the intervening period, public sector jobs will have more significance within the local economy.

Second, anchor institutions take on additional importance in a recession because they may be the largest source of demand for goods and services left in local economies. As with employment, this means that the financial power of local anchor institutions will become more important, allowing them to act both as purchasers of goods and services in the local economy and as investors.

Collaboration

The anchor institution role of local authorities must be at the heart of local economic recovery and reform from Covid-19. However, this role will be most powerful when it is developed in close collaboration with other local anchor institutions. Over the last decade we have seen how networks of anchor institutions operating in concert can amplify their impact. In Preston a collective of six anchor institutions, brought together by the City Council, used their combined weight to drive levels of spending with city based suppliers up from £38.3m to £112.3m over a five year period.[13] Furthermore they have jointly been able to begin to reshape the market for goods and services in some specific sectors to encourage more locally rooted companies to establish themselves and grow.

In the following sections, we describe the five pillars of community wealth building that local authorities can draw on to develop their plans to rebuild towards a new local economy and propose practical solutions under each of these, adaptable to all levels and geographies of local authority.

What needs to be done: overview

In the following sections we propose practical solutions, adaptable to all levels and geographies, that local authorities can draw on to develop their plans to rebuild towards a new local economy.

These actions are summarised below, organised according to five strategy areas relating to the pillars of community wealth building. When an action is accompanied by an icon, this illustrates that it either directly or indirectly supports another strategy area.

Building the generative economy

- Community wealth hubs
- Municipal enterprises
- Make the generative economy a key economic development principle
- National policy change
  - Root industrial strategy in building the generative economy

Finance

- Pension funds as a source of local investment
- Regional banking – locally owned, locally lending
- Mutual credit – financial networks of support and trust
- Target key sectors of the economy with municipal bonds
- Buyouts not bailouts
- National policy change
  - Local Economic Recovery Organisations to hold, support and convert firms

Land and property

- Strategic acquisition and repurposing of land and property
- Low-carbon local authority housing
- Social asset transfer
- Planning contributions supporting local and social business
- National policy change
  - Greater powers in planning
  - Reform land compensation legislation
  - Land Value Tax and a tax on property wealth
  - Additional support and funding

Spending

- Scale up social value
- Market intelligence to drive social value
- Interventionist market shaping
- Deepen the local supply chain
- Social licence
- Insource

Workforce

- Extend public sector recruitment
- Scale up and repurpose employment support
- Sector transition not retention
- Align procurement and economic development strategy
- Intermediate labour market (ILM) interventions
- National policy change
  - Green industrial strategy
  - Devolution of power to shape local labour markets

Building the generative economy

What are generative organisations?

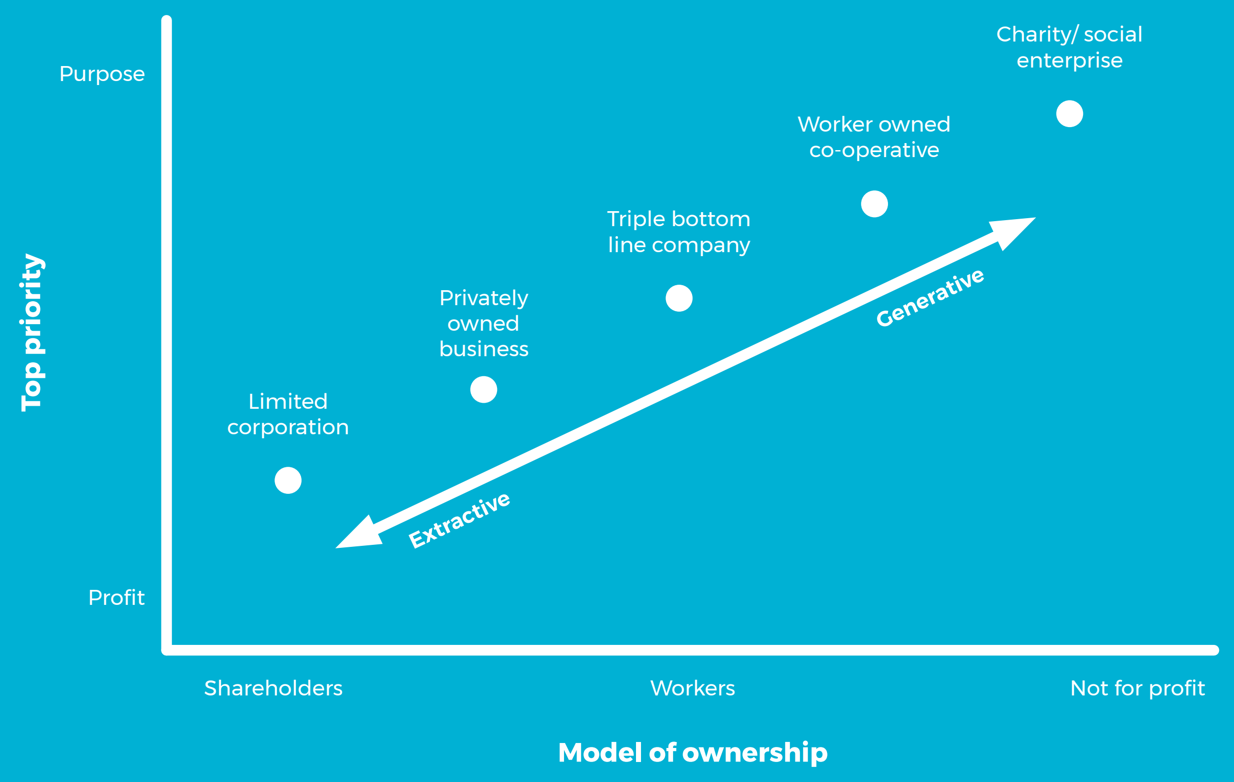
In this guide we refer frequently to generative organisations as the fundamental building blocks of flourishing local economies. These organisations have two important features.

1. They have business ownership models with a structure and/or purpose that centres on ensuring local social and economic value is maximised. This is in contrast with those ownership models which are structured to deliver shareholder value as a priority.
2. They distribute the wealth that they create in a number of ways, including by ensuring high rates of local employment and spending in local supply chains, investing in local assets and sharing the surpluses they generate with workers, consumers or beneficiaries.

These features allow generative organisations create a local economic "multiplier" effect – meaning that the money they spend creates more wealth locally, through jobs, income and demand for local goods and services.[14] The graph overleaf shows the spectrum of organisational forms – from extractive to generative – by illustrating the relationship between who owns the organisation and its priorities (profit vs social purpose).

To thrive, local economies need lots of these generative organisations, including worker-owned businesses, community organisations, charities, social enterprises, locally rooted SMEs and municipal enterprises. All these types of organisation allow the wealth they create to circulate around their local economies. Those with shared ownership structures – such as worker-owned co-operatives, mutuals and community businesses – have the added advantage of widening ownership of wealth even further, by passing profits directly on to workers, consumers or citizens.

However, despite the fact that socially generative firms create more wealth – and, with it, resilience – for local economies, the UK's business climate is currently imbalanced against them and towards businesses that extract money from local economies. The proposals we make in the following section are practical steps that local authorities can take to protect and ultimately grow the generative economy in their places, making generative organisations and the shared ownership of wealth created locally the bedrock of a just recovery and reform process.



In the following pages we highlight examples of practice in the UK and beyond - these examples are underlined in pink to allow you to easily identify them

The challenge

In the practice of community wealth building, local authorities and anchor institutions seek to reorganise the local economy so that the wealth created there does not flow out of it. Instead, incomes are recirculated, communities are put first and people are provided with opportunity, dignity and well-being.[15]

Yet this is a perilous time for UK businesses, with many facing insolvency.[16] The signs are that, as with previous economic crises, larger firms will be more likely to withstand the economic shock than smaller ones.[17] The Federation of Small Businesses has already recorded the largest drop ever in business confidence and polling shows that 82% of UK SMEs are worried about the impact the Covid-19 pandemic will have on their business.[18,19]

The economic effects of the pandemic are particularly bad for many social sector organisations who suffer the double whammy of rarely having the scale to absorb sudden losses of income while simultaneously being often dependent on time-limited grant funding. The Institute for Fundraising reported in late March 2020 that the charities they surveyed were projecting a 48% loss in their voluntary income and a third wiped off total income.[20]

The concern is that there will be a contraction in the SME and social economy sectors, while large corporations increase their market share. Indeed, we are starting to see increases in private equity-financed acquisitions of SMEs by large national and multinational firms. Commercial banks and the Bank of England are also giving large firms more favourable conditions on their loans than SMEs are able to access, including through the Coronavirus Business Interruption Loans.[21,22] This is likely to further increase market concentration, all at the expense of small firms and charities.

The vision

However, set against this worrying picture, the Covid-19 pandemic has also unleashed a powerful positive force in the form of community action.

The upsurge in social solidary has been striking. To rebuild for new local economies, this community resurgence is a vital energy and resource. Much more than a counterforce to the local state or as a route to cost savings in public services, it should be harnessed within the commercial economy and be directed to growing new forms of community ownership. In this way, we have the opportunity to unleash a new wave of retail and manufacturing co-operatives and community businesses owned by those members of the community mobilised into action by the pandemic.

> "This is a perilous time for UK businesses."

In this way, the resurgence of community action could be the seed of new, generative local economies. In community wealth building, we aim to reorganise the local economy so that wealth is not extracted but is instead broadly held and rooted locally, so that income is recirculated, communities are put first and people are provided with opportunity, dignity and well-being.[23] Communities and the local state now have the opportunity to join together to realise this vision, seeking to:

- reshape local markets to grow a diversity of generative organisations - including those that are employee owned - that can invigorate local supply chains, ensure healthy competition and reduce the dominance of extractive operators;
- enable a greater role for social sector organisations in the commercial economy; and,
- ensure that "public good" services, such as electricity, public transport and care, are fairly priced and accessible to all.

What needs to be done

Community wealth hubs

relates to: *workforce* and *land and property*

An eco-system of financial, technical and social support will be critical to the growth of generative organisations. This support can be delivered through community wealth hubs, which would repurpose existing business growth hubs and business support services to provide wrap-around support to generative organisations. They might undertake a number of the activities listed below:

- Developing a baseline understanding of existing and potential supply and demand for generative organisations and employee ownership.

- Deploying funding streams to support the development of new generative organisations to supply **target sectors**.
- Repurposing existing business support to facilitate the conversion of some existing businesses to more generative models, including employee ownership.
- Developing "platform co-operatives" – umbrella organisations in **target sectors** to provide the scale needed for small generative organisations to compete in public sector and commercial markets.
- Developing bespoke business support programmes for the co-operative sector. For example, the Greenwich Co-operative Development Agency, which offers local support, advice, and training for all forms of social enterprise initiatives to tackle poverty.[24] Agencies of these kind can also help address business ownership gaps in disadvantaged communities, for example, the Bronx Co-operative Development Initiative focuses on expanding ownership for low-income women of colour in New York City.[25]
- Providing technical and financial assistance to support the conversion of businesses which are at the point of transition (owners retiring or selling) to worker-ownership.
- Creatively using and repurposing public sector land and assets – explored further in the land and assets section of this paper.

relates to: *workforce* and *land and property*

Municipal enterprises

In response to the failures of the privatisation of public services, a number of authorities in the UK and internationally have started adopting municipal and citizen ownership in these sectors.[26] For example, a growing number of local authorities have returned to municipal energy provision, with schemes developed in Hackney, Bristol, and by the Mayor of London.[27,28,29]

A further extension of this idea combines local authority power with community ownership and control. One option here is a "Public-Commons Partnership", a structure whereby local authorities and community organisations, known as "commons associations", enter into partnership with the third sector to form a community-led vehicle for service delivery. There is ample scope to develop this vehicle in the municipal energy space, as shown in the German municipality of Wolfhagen.[30]

Housing is another area where local authorities are stepping into commercial markets to provide services for the wellbeing of their citizens. Many places are now doing this, with 131 councils having directly delivered new housing since 2014/15.[31] Examples include Red Door Ventures, a housing development company and landlord that is wholly owned by the London Borough of Newham, and BeFirst, a wholly owned company of the London Borough of Barking and Dagenham.[32]

Municipal ownership is a powerful element for local economic recovery and reform plans, enabling direct intervention to restructure local economies.

Make the generative economy a key economic development principle

relates to: *workforce* and *land and property*

Increasing the market share of more generative forms of business ownership is fundamental to inclusive local economic development. There is now an urgent necessity to mainstream this thinking as a core element of the following strategic approaches.

- **Economic strategy** - the economic strategic vehicle will vary depending on the specific tier of local government and on local governance arrangements. However, ensuring that analysis of the local generative economy informs relevant industrial strategies, economic development plans and strategic regeneration initiatives – for example, Enterprise Zones – will be key.
- **Business development and support strategy** - as detailed above, existing business support capacity can be adapted to provide community wealth hubs that incorporate bespoke advisory, financial and incubation support for existing and emerging generative organisations, particularly in **target sectors**.
- **Community development and VCSE strategy** - these should incorporate a focus on supporting social sector organisations to develop and market goods and services in the commercial sector, particularly in everyday economy sectors critical to the wellbeing and livelihoods of citizens.
- **Commissioning and procurement strategy** - harnessing commissioning and procurement of local anchor institutions to support the generative economy as explored in the spending section of this guide.

There is precedent for this in the work of the Greater Manchester Co-operative Commission which has developed a model for embedding these principles across the Combined Authority.[33]

National policy change

There are a number of areas where existing strategic and national policy currently inhibits the realisation of the actions we set out above. Local authorities and their partners should work collectively to bring about these changes to enable the expansion of the socially generative economy in their places.

Root industrial strategy in building the generative economy

Covid-19 has further exposed the need for an overhaul in the UK's industrial strategy. So far, there has been little discussion of what business forms industrial strategy should support. Instead of focusing on providing incentives for high-value firms to do business in the UK, a new approach should lock public funds into building the strength of key sectors by investing in generative, mission-driven organisations. Local government must join with voices across the sector to make the case that UK industrial strategy must begin to discriminate between extractive and generative firms and focus national policy and resources on advancing the generative economy.

Finance

The challenge

The economic shutdown in response to Covid-19 created an imperative for government action to protect incomes and underpin the economic security of the country. This was done through an unprecedented scale of financial support: cash grants, loans and tax relief totalling over £120bn. Much less has been done to ensure we have measures in place to address longer-term goals of restructuring towards economic justice and ecological sustainability.

The scale of state intervention in the economy creates an opportunity which must not be lost. We need a transition plan, which must be focused on:

- guaranteeing the welfare of the majority by minimising job losses and a commitment to good wages, terms and conditions;
- distributing economic power by moving to models of employee ownership for firms in receipt of state support; and
- driving changes in corporate behaviour in line with climate emergency imperatives.

Similarly, the state should recognise the need to intervene to prevent the buyout of the production, purchase and flow of goods and services. Private equity is waiting in the wings, poised and ready to acquire locally based businesses for mere pennies on the pound. Large private equity funds like Blackstone have a reported $1.5tn “war chest” ready for these “unique opportunities to invest”[34]. If this goes ahead it will create a shift in ownership upwards, a funnelling of wealth to those that need it least.

> "Private equity is waiting in the wings, poised and ready to acquire locally based businesses for mere pennies on the pound."

Against this backdrop, Covid-19 has acted as a reminder of how badly served local economies currently are by a financial sector which is orientated to global markets rather than local investment and economic development. Over recent years, we’ve seen a stagnation of lending to small businesses and the closing of many local branches, reducing the connection between lenders, their local communities and personal banking services. Without access to affordable credit, many small businesses struggle to operate and compete with larger firms to provide goods and services.

The vision

Bearing in mind the significant financial challenges that local authorities face, it may appear that they have a minor role to play in the financing of economic recovery and reform. But the reality is that local authorities and other anchor institutions are key financial players in place. Their footprint covers pension fund investments, capital investments and finance provided as part of business support programmes.

The proposals in the following section will allow local authorities to maximise their financial power in the service of the generative economy, by taking two approaches:

1. Leveraging their investments as powerful drivers of change in the ownership and behaviour of businesses.
2. Utilising their financial standing to support the formation, survival, recovery and growth of generative organisations.

What needs to be done

Pension funds as a source of local investment

relates to: *building the generative economy* and *land and property*

Nationally, local authority pension schemes are worth more than £280bn. Beyond their responsibilities to their members, these funds are reservoirs of the wealth which has been built in their place. Their investment decisions should reflect the local roots and values of their members. There are strong examples from across the country of schemes adopting ethical investment approaches. For example, in 2017 Islington Council set out to decarbonise its investments by 2022.

Recent years have also seen the development of dedicated locally focused pension investment funds, designed to provide sustainable, long term income to members while delivering a “triple bottom line” by creating a positive local social and environmental contribution. In Lancashire this approach has led to investment in housing, while in London three pension organisations are working together to create a fund targeted at assets such as affordable housing, community regeneration projects, digital infrastructure and clean energy.[35]

relates to: *building the generative economy*

Regional banking – locally owned, locally lending

To counter the dominance of internationally orientated banks, we are seeing the growth of many individuals, communities and activists advancing community banking alternatives. The Community Savings Bank Association is facilitating the establishment of a network of 19 regionally focused, customer owned and mission driven banks in the UK.[36] These banks will take local savings and use them to create loans that serve the everyday financial needs of ordinary citizens, local community groups and SMEs. They will work closely with community development corporations, community development finance institutions, local social investment funds, revolving loan funds and others.

Critical to the formation of these banks is the provision of share capital by socially minded investors, including anchor institutions who invest their reserves. This share capital is not leant out but allows the bank to meet regulatory standards and ensure its stability. Four regional mutuals have already been established and are working towards applying for a banking licence. South West Mutual and Avon Mutual are in early discussions with regulators and have raised almost £2million seed funding from private, social and local authority investors. Banc Cambria and North West Mutual have been set up with significant financial backing from the Welsh Government, Preston City Council, Wirral Council and Liverpool City Council. There are also teams working towards establishing regional banks in Greater Manchester, North East England, Scotland and Northern Ireland. For local authority investors the opportunity is not just to earn long-term financial returns from shares in their regional bank, but to create a new financial anchor institution and a powerful engine of community wealth building.

relates to: *building the generative economy*

Mutual credit – financial networks of support and trust

Mutual credit networks support existing and new businesses and strengthen local networks of trust and support. While not a currency, mutual credit is a method of managing credit between trusted members of a local network. Trading in this way enables businesses to reduce the need for finance and reduces risk by increasing trade between trusted organisations. Unlike commercially run business networks (often known as business barter platforms) – where a proportion of savings are charged back to members by a platform management company – mutual credit networks are mutually owned so that members have control to jointly decide on fees and have an ownership stake in financial assets.

In practical terms, local authorities and other anchor institutions can support the development of mutual credit networks in their area by increasing awareness, recognition and trust of the network and acting as a guarantor through the provision of a cash bond where needed.

relates to: *land and property*

Target key sectors of the economy with municipal bonds

Financial bonds issued by local authorities enable them to cost-effectively finance infrastructure projects. In 2015, Transport for London issued a debut sterling Green Bond to contribute to the financing of five eligible green projects and in 2020 updated this framework as a means to further implementation of the Mayor's Transport Strategy. In the context of recovery from Covid-19, these bonds could be used by local authorities to finance projects in target sectors of the economy.

relates to: *workforce*

Buyouts not bailouts

Many local authorities have significant commercial investments, including direct stakes in local companies. For example, Greater Manchester's local authorities together own a 64.5% stake in Manchester Airport Group which owns Manchester, Stansted and East Midlands airports. In response to the huge financial pressures on the aviation industry as a result of the Covid-19 pandemic and reflecting the dependence of 50,000 jobs in the city region, the local authorities have provided a £260m loan package to the group.

In providing much needed financial support in this way, local authorities are in a potentially powerful position to influence the behaviour and long-term business practices of the firms in which they are invested.

For this reason, rather than bailouts – in which public money helps prop up shareholder value – local authorities should consider buyouts – in which they take an equity stake. In this way, the state can not only recapture economic value as the sector recovers, but social value as it influences ethical corporate, tax, employment,

relates to: *building the generative economy*

environmental and community practice from the organisation of which it is now an owner. This idea could be further extended through the provision of Local Economy Recovery Organisations (LEROs), as explored below.

National policy change

LEROs to hold, support and convert firms

To further influence the behaviour of local firms, as well as counteracting the threat of SMEs being purchased by private equity firms, regional administrations and combined authorities should create state holding companies. These LEROs would acquire and hold distressed business assets during the pandemic until such time as they could be relaunched.[37] In addition, local authorities may consider the following:

- prioritising companies in **target sectors**;
- ensuring that they exit the LERO by transferring ownership either to workers at the company, long term local public ownership, or to other forms of generative organisation; or,
- if returning to businesses under individual ownership, preferencing those which represent the interests of socially disadvantaged groups.

In England and Wales, a new generation of fast-tracked devolution deals could vest powers in local authorities to enable the transition of Coronavirus Business Interruption Loan Scheme loans to LEROs, while in Scotland the recently established Scottish National Investment Bank could act as the vehicle for intervention.

Land and property

The challenge

How land and property assets are owned and managed is key to local economic outcomes. Concentrated land ownership, property speculation and landlord absenteeism all drive inequality, as communities suffer the consequences of unaffordable housing, lack of access to land for businesses and a lack of investment in the local economy. Wealth gained from land and property leaks out of local economies, contributing to a lack of resilience, as well as being incompatible with social and environmental progress.

These issues were prominent before the Covid-19 pandemic but will be further exacerbated by the economic damage associated with it. Businesses in retail, leisure and hospitality are at risk of failure, leaving previously struggling high streets – community assets in their own right – vulnerable to speculative acquisition. Policy responses may further exacerbate this, with the possibility of more use of permitted development rights, allowing planning changes to be made without permission. Furthermore, it is expected that some planning powers will be transferred from local authorities to development corporations in England.

The post-Covid-19 landscape may also see permanent changes to land, property and the physical infrastructure of places. These include reduced demand for office accommodation, the need for more walking and cycling infrastructure and less emphasis on concentrated development in town and city centres. The pandemic has also highlighted the significant importance and public value of nature and common spaces.

> "Wealth gained from land and property leaks out of local economies, contributing to a lack of resilience."

The vision

Local economic recovery and reform requires a co-ordinated approach to place management and development, where local land and property are regarded as wealth creators from which communities, not global investors, benefit. To do this, local authorities should focus on:

- enforcing strong, stretching social value targets, so infrastructure spending maximises local jobs and contributes to carbon reduction.[38]
- enabling more diverse local and community ownership of land and property, utilising planning powers and land and property holdings to restrict rental extraction; and,
- sustaining the natural environment, protecting open spaces and commons resources.

To enable this, local economic recovery and reform plans must address the governance, ownership and use of land and property, so that more local resources are owned and managed by communities and wealth is more broadly shared. Infrastructure investment, property development and the planning system must be focused on facilitating the expansion of the generative economy and tackling wealth extraction.

What needs to be done

Strategic acquisition and repurposing of land and property

relates to: *building the generative economy*

In recent years, many communities have seen a loss of social and community infrastructure. At the same time, under severe budget pressures, some local authorities have invested in commercial asset portfolios, often out-of-area, to generate much-needed financial returns. These investments may now be at risk because of falling rental demand as retail, leisure and hospitality businesses fail.

Rather than viewing property portfolios solely as revenue-generators, local authorities should both invest in local land and property assets for the common good and intervene to democratise ownership by purchasing property for future asset transfer to generative organisations. These approaches would aim for steady returns over the longer term, whilst boosting the local business base and increasing local economic resilience. Property values are likely to decline across the UK, opening new possibilities for acquiring and repurposing assets at scale, as a strategic intervention to bolster local economies.

Through their rapid and unprecedented responses during the first phases of the pandemic, localities have demonstrated how co-ordinated action can transform the property and asset base in ways many would have thought unimaginable prior to the pandemic. With the same determination and co-ordination, a more strategic and long-term transformation across sectors can be achieved.

In practice, all of the above means developing local land and property portfolios,[39] then leveraging these, alongside the existing assets already owned by local anchor institutions, to protect and promote **target sectors** and restrict rentier behaviour. This strategic acquisition and repurposing of local land and assets could focus on:

- sectors where assets are vulnerable to asset stripping by investors seeking to maximise profit – using ownership to protect at-risk sectors and provide infrastructure for new, locally generative businesses;
- office and retail space which can be repurposed to provide social businesses with the infrastructure and opportunity to develop into commercial markets;
- land assembly for subsequent development and management via municipal development vehicles and community land trusts; and,
- existing housing, as part of a strategic intervention in the private rented sector (see below).

relates to: *building the generative economy* and *workforce*

Low-carbon local authority housing

Developing carbon-efficient local authority and housing association stock and expanded rental services are interventions which have been pursued by many areas before the Covid-19 pandemic hit. For those local authorities that are able, these twin approaches provide a substantial local economic stimulus through investment in renovation and retrofit, whilst meeting the pressing need for affordable, secure housing and driving progress on carbon reduction. The scope of this programme could encompass:

- Accelerated roll-out of extensive retrofitting programmes to social housing stock.
- Buying low-value properties to rent out at affordable rates for limited income and vulnerable households, reducing the need for and spend on temporary accommodation, whilst also driving up standards in the private rented sector.
- Providing a management function or alternative investment route for “accidental” landlords, such as families who inherit a property and then decide to rent it.
- Supporting older residents who wish to downsize, by buying their existing property and supporting them to move to more suitable accommodation, freeing up valuable space for affordable housing and improving housing options for the elderly, with resulting benefits in terms of future demands on health and other services.

relates to: *building the generative economy* and *workforce*

Social asset transfer

Public landowners should develop governance and management structures to allow communities to take direct control of common assets, for example through transferring under-utilised assets to Community Land Trusts or working through arrangements such as the public-commons partnerships detailed in the Building the generative economy section of this guide.

Community land trusts can play an important role in increasing housing provision but can also operate in other sectors including farming and food, tourism and nature conservation. In all these scenarios, land is purchased to be held in trust for fair rental to those who need it most. As well as providing new employment opportunities this approach would help to support the creation of new generative organisations in the supply of everyday goods and services.

Asset transfers of underutilised anchor institution assets could also be accelerated as a tool for growing the numbers of community hubs which work to support social enterprises in scaling up their local programmes of work. These hubs could be further supported by low-cost local authority loans which factor in social value to their investment approach.

relates to: ***building the generative economy***

Planning contributions supporting local and social business

In areas where planning contributions generate significant sums for the local authority, they could be used to support generative organisations to access underutilised commercial assets. Similarly, planning contributions could be used to finance the repurposing and renovation of commercial spaces that landlords are struggling to rent. In return, the local authority would be given rights to identify generative tenants and rent levels would be fixed for at least a ten-year period. There is precedent for this approach as part of the Whitechapel masterplan in Tower Hamlets.

National policy change

Local authorities and their partners need to press for reform to better enable them to maximise the local economic benefits of land and property assets. Priorities include:

relates to: ***building the generative economy***

Greater powers in planning

For example, in relation to permitted development – to enable them to regain democratic control, oversight and the ability to steer development in the best interests of residents and the generative economy.

Publicly owned development corporations

Empower every local authority to establish a public development corporation. These should ultimately replace private developers as the primary drivers of the regeneration of publicly owned land, so that the return from land and property development is fed back to the public purse.

Reform land compensation legislation

So that local authorities have the power to compulsorily purchase land at a fairer price.

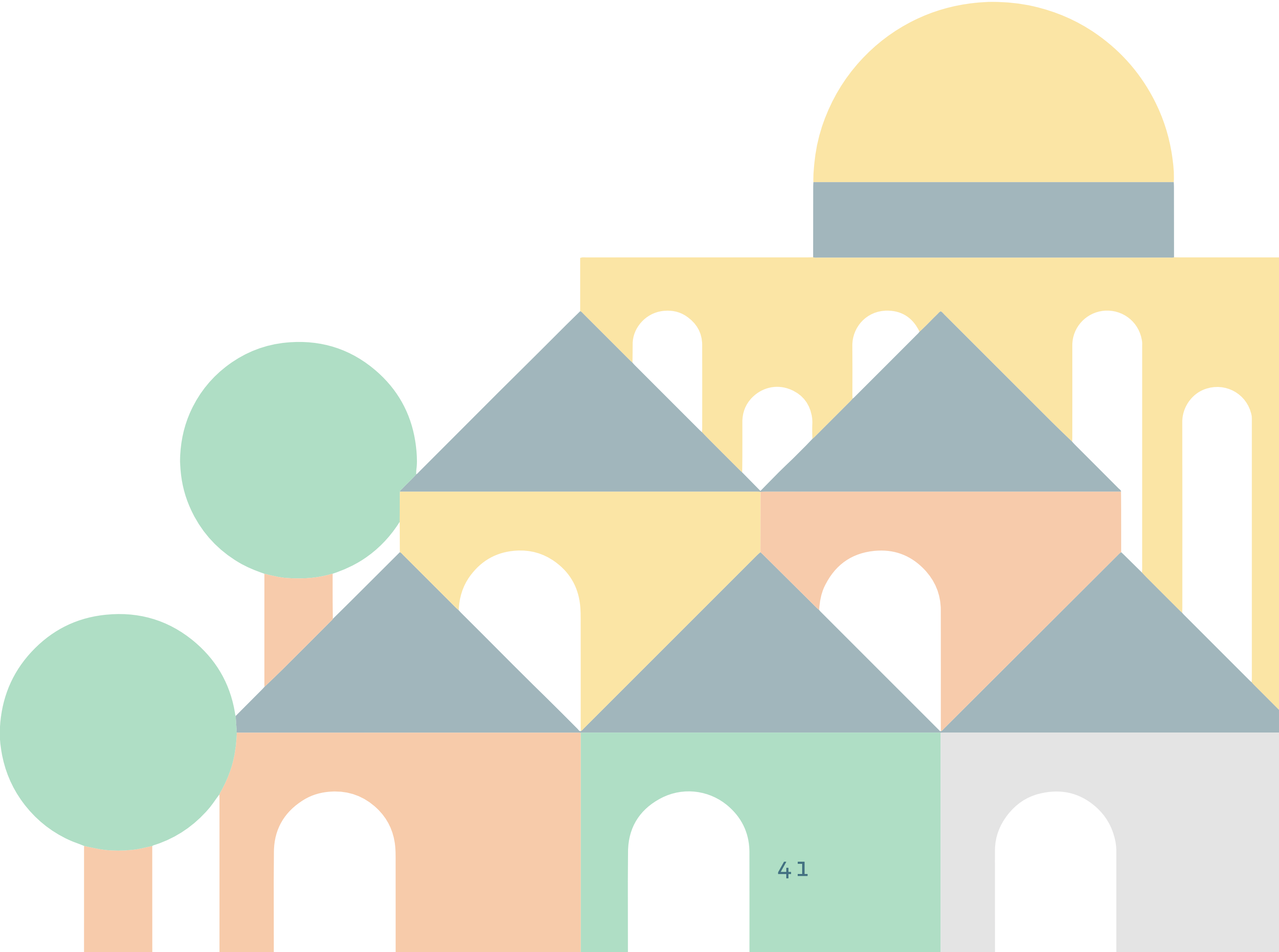
Land Value Tax and a tax on property wealth

To replace business rates and capture the unearned economic value from collective development/place investment for public purposes instead of it going to private landowners. A tax on property wealth could replace Council Tax.

Additional support and funding

relates to: ***workforce***

To enable local authorities to accelerate low carbon local authority house building and retro fit and to transition temporarily housed rough sleepers and those who will become homeless because of the pandemic into suitable housing.



Spending

The challenge

As local economies begin to feel the impact of recession, the spending approach of public sector and anchor organisations will become critical. In some places, local commissioning and procurement spend may even become the primary source of liquidity and stable demand. In Leeds, analysis showed that the combined procurement spend of just six anchor institutions, came to over 4% of local GDP. This is a significant sum, even larger when considering the second and third tier spend of suppliers and employees, and a substantial lever for local economic practitioners.

However, imprecise tick-box approaches to demonstrating social value in procurement – or buying solely on the basis of cost – will see money flee from our local economies when it is needed most.

With economic contraction already in train, it is important that local authorities and anchor institutions recognise the potential of their spend to catalyse business growth, economic development and the delivery of local social and economic value. What anchor institutions buy, which supplier wins a contract and the conditions attached to it will have a direct bearing on the livelihoods of individuals and communities.

The vision

Covid-19 has already prompted major shifts in procurement approaches, with government notices[40][41] providing greater flexibility in the procurement of necessary goods and services and speeded up payment to at-risk suppliers. Whilst these are temporary measures, they underline the argument that anchor organisation spending is an important strategic tool that, under normal circumstances, can be deployed to the good of local economies.

This spend can be powerfully utilised to generate demand – and thus support economic recovery – whilst also shaping supply – therefore developing local economic reform. Wielding the purchasing power of local authorities and anchor institutions can ensure that the public pound does double duty: buying much-needed goods and services, whilst simultaneously delivering crucial social, economic and environmental benefits.

Progressive procurement practice aimed at delivering this goal has matured over recent years, delivering more jobs and apprenticeships for local people, opportunities for "hard to reach" individuals and money recirculating in local economies.[42] In Manchester, the City Council has embraced a corporate social value framework which has driven a 20% increase in the proportion of spending with locally based businesses, with social value contributions helping over 1,700 people furthest from the labour market secure work opportunities and nearly £120 million additional re-spend in the local economy.[43] Preston's efforts to localise social value impact has brought millions of pounds back into the local economy, with over £200m being spent with local suppliers as a result of the changes in procurement behaviour across anchor institutions.[44]

Similarly, in Wigan, strategic directions set by the Council – framed around the Wigan Deal – have catalysed a profound shift in the local social care market, with a reduction in the presence of national, private equity backed providers and, with it, improved standards in both care for the vulnerable and employment for some of the lowest paid women in the borough.[45]

> "What anchor institutions buy, which supplier wins a contract and the conditions attached to it will have a direct bearing on the livelihoods of individuals and communities."

What needs to be done

Scale up social value

relates to: *workforce*

The need to target, maximise and deliver social value is of critical importance in the move to embed reform into the recovery process. In policy terms, this means:

- **Social value weighting** - many local authorities now weight social value at 20% or more in contract criteria. However, it is important that considerations of the value created by a contract are reflected in the quality aspect of a tender. CLES advocates a tiered approach to the weighting of social value dependent on the type of spending, as exercised by the Greater Manchester Social Value Network.[46] There is also a need for social value to be utilised and weighted in a way that recognises and allows locally rooted firms to demonstrate their social and economic value in place.

- **Social value frameworks** - the setting out of corporate priorities and how these are to be embedded at all stages of the procurement cycle will need to be refreshed to reflect the post-Covid-19 reality. As well as robust health and safety plans, the changing employment picture may mean it is prudent for contracting authorities to ask for social value contributions towards, for example, reskilling schemes for local workers. Practitioners may also wish to include stipulations on supply chain resilience in their frameworks.

There is also a renewed impetus for robust measurement – local authorities need to ensure suppliers are delivering what they have promised.

relates to: *building the generative economy*

Market intelligence to drive social value

Through the example of those local authorities which were able to quickly contact local firms and help them supply PPE, food and vital supplies to vulnerable people, Covid-19 has thrown into relief the need for local authorities to have a deep, granular understanding of the sectors and firms operating in their local economy.

This market intelligence is also a vital prerequisite for market shaping activities. Knowing which firms are operating in a local economy, the scale at which they can work and the interdependencies and relationships between them can help procurement officers to shape tenders that nurture and stimulate the generative economy.

To gain this insight, authorities and anchor institutions should carry out:

- analysis of their current spending to identify where money is leaking out of the local economy and identify ways to ensure spend either supports key local firms, delivers social value or, ideally, does both; and,
- market analysis to understand the strengths, weaknesses and interdependencies of their local economy. Work undertaken by CLES for Darlington Council, for example, built upon an initial analysis of procurement spend to understand the barriers and enablers to supply chain localisation, by analysing the nature of the local business base.

Ensuring social value is advanced through spending is a holistic task. It needs to be considered at all stages of the cycle, from commissioning, through to tendering, award of contract and monitoring.[47] The market intelligence possessed by contracting authorities needs to feed into all of these stages, ensuring the market which is being shaped delivers social value throughout. Where appropriate, this intelligence should be shared with and between key anchor institutions, to maximise social value delivery in a place.

relates to: *building the generative economy*

Interventionist market shaping

Informed by market intelligence, local authorities should examine areas and sectors where they are not buying locally, or where social value is not being delivered, and look to remedy this through specific market shaping activity. CLES' current work with the Welsh Government, for example, is looking at public sector spending, at national and Public Service Board level, and exploring how this spending can be refocussed to support at-risk economic sectors and businesses and to develop new markets. Already the Welsh government's approach to PPE procurement provides a valuable example of this work. Engagement with Welsh businesses has been scaled-up, utilising innovation and new manufacturing approaches to move towards local self-sufficiency of supply.[48] Other examples of best practice in this area have been in social care markets with imperatives driven less by economic development and more by agendas to reform public services.

This type of intervention must be expanded – moving far beyond the "meet the buyer" events common in some places, to reforming those sectors where extractive players are currently dominating. Local authorities should consider:

- programmes of co-design with local, social and ethical suppliers to share strategic priorities;
- developing a shared vision for how generative organisations can play a part in economic recovery; and,
- programmes to ensure commissioning processes are accessible to generative suppliers.

relates to: *building the generative economy*

Deepen the local supply chain

Market intelligence can also be used in deepening the local supply chain – linking together local firms and suppliers to build resilience and local wealth.

The value of local supply chains has been demonstrated clearly through the early stages of the Covid-19 response. In Greater Manchester, the Combined Authority has provided 19m pieces of protective equipment acquired through local firms, vastly outnumbering the 5m supplied by central government to the region.[49] Indeed, national supply chains struggled throughout the early stages of the pandemic, in part due to outsourced supply, focused on driving efficiency savings.[50] Furthermore, lengthy supply chains are increasingly incompatible with serious attempts to tackle climate change.

Local authorities should build on initial market intelligence gathering to ascertain how much existing suppliers spend with local firms, their appetite to increase this and the capacity of the local generative economy to meet a greater proportion of supply needs. Building further, local authorities could then consider tailoring support schemes to facilitate the growth of supply chain organisations. In this, business support capacity could be directed to facilitate targeted supply chain localisation.

relates to: *building the generative economy*

Social license

As well as ensuring social value is delivered through contracts and spending, action can be taken to better ensure market entrants and suppliers reflect the values and priorities of contracting authorities and work in ways which progress economic, social and environmental justice.

Social licensing[51] is an approach that stipulates that firms not meeting specific conditions around, for example, environmental policies would be unable to even be considered for public contracts. This would represent a step change in the procurement process. Rather than firms giving something back via social value contributions, whilst still having negative wider business practices, such a stipulation would effectively curtail market access to firms not playing by the rules. The current regulatory environment for procurement limits the power of contracting authorities to undertake this role. Nevertheless, within the current legislative framework there are still avenues through which this kind of work can begin to be progressed at the local level:

- **Fair Tax Mark accreditation -** the Fair Tax Mark is a certification scheme which organisations can sign up for, demonstrating their commitment to paying their fair share of tax and encouraging this behaviour more widely.[52] Local authorities are able to sign up to the Fair Tax Declaration and in so doing commit to pursuing fair tax conduct in both their own actions and – crucially – through their suppliers.
- **Frameworks and Dynamic Purchasing Systems (DPS) -** frameworks and DPS can be utilised to set requirements for suppliers looking to access contracting opportunities. Great Places Housing Group, for example, have launched an OJEU compliant DPS that ensured delivery of social investment into the communities in which they operate.[53]
- **PQQs, pass/fail questions, charters and selection questionnaires -** normal procurement criteria can be utilised to set out discretionary exclusion grounds and/or get a broader understanding of the suitability of potential suppliers. As these criteria must be relevant and proportionate to the contract, this once again stresses the need for social value to shape the design of the contract. A good example of this approach Unite’s Construction Charter.[54] This charter lays out 11 requirements for both contractors and their supply chains, such as developing and implementing skills and training opportunities, mandating direct employment of workers and ensuring access to trade union representation.

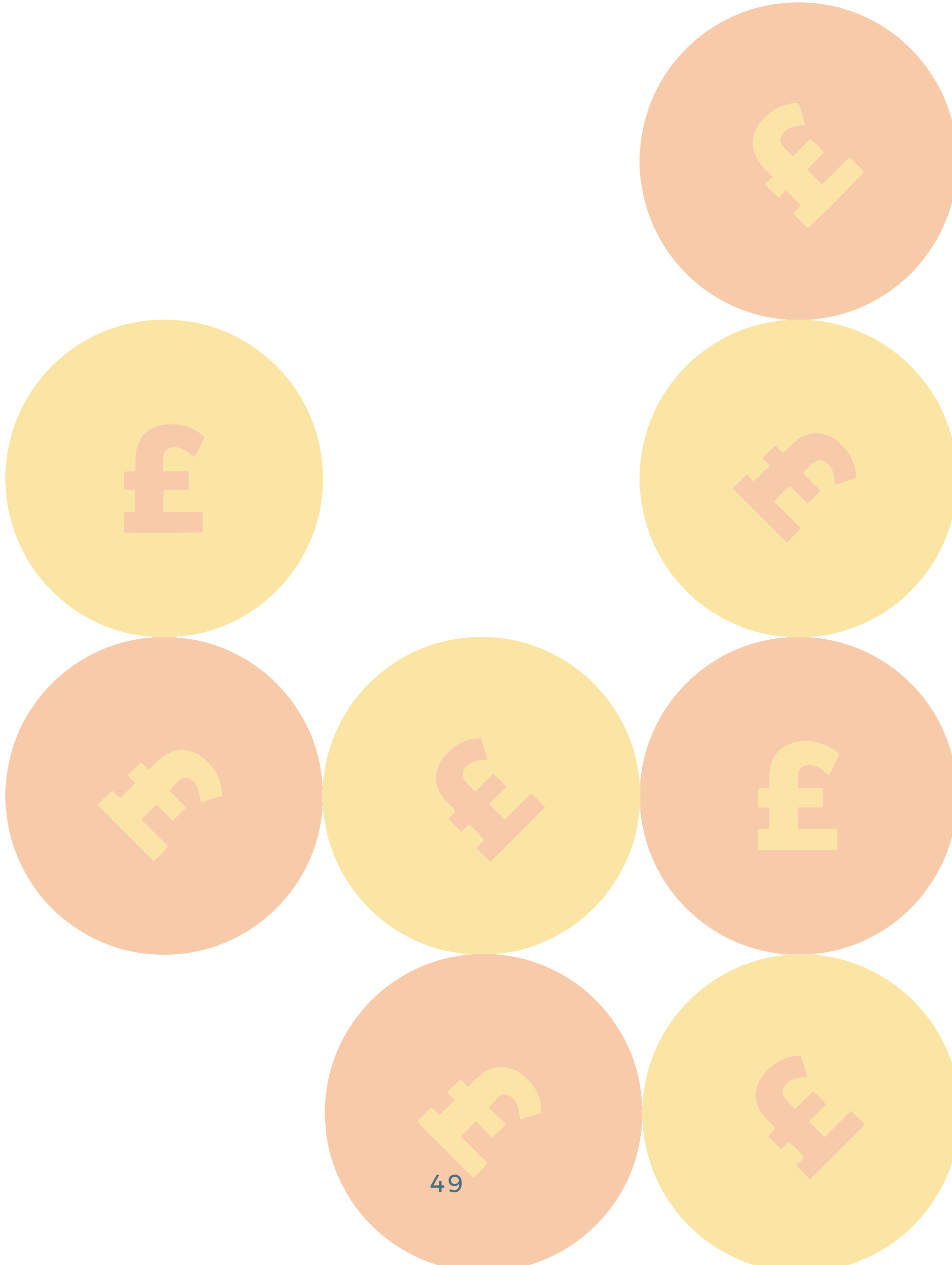
relates to *building the generative economy* and *workforce*

Insource

The trend towards greater insourcing predates Covid-19 but has represented a significant advantage for local authorities in managing their rescue and recovery approaches. Local authorities with greater levels of in house services have been able to pivot quickly in their response to Covid-19, with insourced provision meaning that more staff could be redeployed onto priority duties and non-essential services could be closed without forcing contract negotiations.[55]

Prompted by a recognition that insourcing can deliver better quality services alongside efficiency savings, there has been a renaissance of insourcing in recent years, where it has proved to be a viable and financially prudent option for many local authorities.[56] Currently, over three quarters of local authorities have insourced services or are planning to do so and, of those that have, 78% say insourcing gives them more flexibility. [57] Two-thirds say it also saves money and more than half say it has improved the quality of the service while simplifying how it is managed.[58] On top of this, insourcing means local authorities have greater control of the proportion, pay and conditions of local people working in their economies. In Southwark, for example, moving street and estate cleaning in house almost doubled the number of employees whilst simultaneously delivering close to £250,000 in savings.[59]

To further efforts to rebuild towards a new economy, policymakers at the local level should be advancing this agenda further and considering whether it makes sense to bring greater service provision back in house.



Workforce

The challenge

In the wake of Covid-19, unemployment is set to rise to levels unseen in our lifetimes. Here, perhaps more than anywhere else, there is a need for local authorities to be bold and creative in how they respond.

In early 2020, the employment rate in the UK was at a record high, reaching 3.6% in the months immediately preceding lockdown. The issue, in many places, was not the absence of employment opportunities, but rather their quality – with employees often poorly paid, working under precarious terms and conditions and lacking progression and career development opportunities.

Covid-19 changes this picture markedly and responses need to change accordingly. At the time of writing, 8.4 million workers are covered by the government's furlough scheme, with a further 2.3m claims having been made through the government's Self-Employed Income Support Scheme.[60] Combined with Universal Credit claims, this equates to around 40% of the entire UK labour force being directly supported by the government.[61]

It is widely predicted that unemployment will rise rapidly to four or five times the pre-pandemic rate and there is a growing recognition that many of the jobs which existed prior to Covid-19 may never return. This looks set to plunge over a million more people into poverty, including a further 200,000 children.[62]

> "The issue, in many places, was not the absence of employment opportunities, but rather their quality."

The vision

Local authorities must now ensure that the expansion and extension of poverty is averted and alleviated, with rebuilding programmes protecting vital local jobs, ensuring productive work is carried out and placing workers front and centre of the economic recovery.

In the face of the challenges outlined above, there is a need to expand employment programmes, collaborate with other local anchor institutions and ensure that local workers are upskilled to meet the challenges and support the sectors of the future.

What needs to be done

Extend public sector recruitment

relates to: *building the generative economy* and *land and property*

Secure, fairly paid jobs in the public sector will be exceptionally valuable in a time of high unemployment. Action to direct these jobs to local people, especially those made most vulnerable as a result of the pandemic, will be crucial to sustaining livelihoods. Options include:

- Targeted local recruitment programmes for existing vacancies.
- Supported job transition for people who have lost work through the pandemic. For example, in Birmingham the Anchor Institution Network is developing a hospitality to health programme for people who have lost work in the hospitality and leisure industries to enable them to access NHS jobs and careers.
- Expansion of local authority and anchor institution workforces to stimulate recovery and reform of the local economy. This could include investment in retrofit of local authority homes, extended public works programmes and insourcing of activity currently undertaken by contractors who do not appropriately serve the local economy.

Scale up and repurpose employment support

relates to: *building the generative economy*

Where local authorities have significant influence over the scope and shape of employment support services, the relevance of their offer needs to be reviewed in light of the impact of Covid-19. National resourcing will need to be scaled up but, to be effective, this support must not be left to centrally designed programmes.

Over recent years, nationally funded employment support programmes have focused on getting people into work, with targets set on the basis of securing a job of any kind. In the wake of Covid-19, schemes need to be focused on delivering locally relevant training and upskilling opportunities, tied to future growth sectors and local need.

Local authorities should develop and share the intelligence that informs the metrics for success. Through their knowledge of local economic activity and deprivation, they have a role to play in shaping, providing and implementing employment support and skills training. There is an imperative for them now, more than ever, to reconfigure employment schemes to:

- **Build skills to unlock growth sectors of the future** - granular analysis of skills shortages in the locality and mapping of future skills needs should inform the commissioning of skills programmes. In suspending and terminating some economic activity, Covid-19 has given us an imperative to pivot local economies towards the sustainable growth sectors of the future. Employment support should ensure local people have the skills to make the most of these opportunities.
- **Ensure local people have the skills needed to support target sectors -** business analysis and intelligence will provide practitioners with an idea of the key and core sectors in the locality. Employment support should be linked to these areas, so that the labour supply is able to support the recovery effort at the local level.

There is precedent for this approach, both before and during the Covid-19 pandemic. In Northern Ireland a collaboration between Stormont and Queens University Belfast has allowed workers affected by Covid-19 to undertake a PGCert in Software Development for free.[63] Similarly, in Spain in 2018, a deal was struck to expedite the closing of coal mines, with investment being poured into affected regions and support mechanisms put in place for workers set to lose their jobs.[64] In both cases, targeted schemes were put in place to support workers through local economic restructuring.

relates to: *building the generative economy*

Sector transition not retention

In the wake of Covid-19, some sectors will be rendered uneconomical, some will fall victim to a reduction in demand and others will suffer-from consumer reluctance to spend.[65] In this, there is a need to protect workers at risk of redundancy, as well as those in polluting and extractive industries which are nearing obsolescence, by identifying the means to transition the local economy towards more resilient and sustainable sectors.

We need boldness now, with local authorities recalibrating their support offers to ensure that failing, extractive or damaging sectors are not unnecessarily kept afloat. Strategies and interventions should tie into wider initiatives seeking to rebuild local economies in a more sustainable and generative way and to employment and skills practice as discussed above.

Align procurement and economic development strategy

relates to: *spending*

There needs to be alignment between economic development and procurement teams to update social value policies, frameworks and objectives to reflect new strategic growth priorities, with a greater focus on employment and upskilling. Where possible, clauses should be used in contracts to ensure that local people are at the front of the queue when it comes to recruitment.

More broadly, as outlined in the spending section of this guide, procurement should be wielded as a key strategic lever by local authorities and anchor institutions to stimulate local economic activity and good job growth. Social value contributions could be used to part-fund more expansive labour market schemes or training programmes providing skills for the future, rather than simply hiring local people for the duration of contracts.

Intermediate labour market (ILM) interventions

relates to: *spending*

Traditionally, ILM schemes have had a focus on young people not in education, employment, or training.[66] Typically, they provide waged work in specially created, time-limited positions.[67] In this way, ILM schemes simultaneously engage unemployed people in socially useful activities and satisfy unmet needs within a community. While some initiatives continue, these schemes are not as prevalent today as they were in the 1990s and 2000s. They have a strong record, however, particularly when linked holistically to other local priority outcomes.[68]

Local – as well as national – policymakers should investigate ways of reformatting and revising these schemes, initially with a tight focus on groups at particular risk of loss of employment as a result of Covid-19. Their revival should also be considered as part of a broader reconfiguration of employment support services, as described above. One possibility is anchor institution-led schemes, with joint funding, advancing projects based around – for example – the repair and retrofitting of anchor-owned property.

National policy change

Green industrial strategy

Local economic recovery efforts have the potential to drive fundamental and much-needed reform – translating zero emissions and "green collar" targets into reality by marrying the jobs unlocked in the process to workers left without employment by Covid-19. CLES explored these issues in the recently released paper **A Green Recovery for Local Economies**.

To proceed, local authorities must do as business leaders are already doing[69] and push Westminster to commit to providing funds and devolving the decision-making powers to progress Green Industrial Strategy schemes at the local level as a core part of the economic rebuilding programme.

Devolution of power to shape local labour markets

Even before the outbreak of Covid-19, research from the Local Government Association showed that maintaining a centralised skills system could leave six million people either unemployed or working in jobs they are overqualified for by 2030.[70]

This current moment should be the juncture at which the power to shape local labour markets is properly devolved. Local and combined authorities must lobby to ensure that they are empowered and adequately funded to run innovative training, reskilling, job transition and labour market intervention schemes that have a close fit to the needs and priorities of their area.

Putting it into practice

Local authorities will be the pre-eminent agents in bringing together the tactics and approaches described above to shape just local economic recovery and democratic economic reform. Key to the efficacy of local recovery to reform plans will be how these actions are blended to address the specific circumstances, priorities and assets of place. In the analyst chapter we aimed to support this process by setting out how **target sectors** could be identified at a local level. Here we set out three worked examples of how the individual proposals set out in the sections above could be utilised to drive deep rooted change within three types of **target sector**:

Food

A sector which, in many places, extracts more value than it generates and has been hard hit by the Covid-19 pandemic.

The challenge

The Covid-19 pandemic has demonstrated the importance of the "foundational economy", those goods and services needed for everyday life, such as food. Simultaneously, the pandemic has highlighted the lack of resilience in the UK food system, which is overly reliant on imported food, fossil fuels and large corporations.

The vision

We need re-localised food systems which increase the capacity for local food production, processing and distribution with dense local supply chains, that support existing and future local businesses within the social economy. This increases employment and ensures that wealth recirculates in local areas for the benefit of communities.

Putting it in to practice

Building the generative economy

Business support hubs are repurposed to provide targeted, bespoke support and advice to co-operative food sector businesses. These business hubs and the new generative organisations they support are enabled by asset transfers or low-cost access to under-utilised anchor-owned premises.

relates to: *land and property*

Finance

Mutual credit networks are established, linking together the local food sector with other businesses, increasing the density of local supply chains and creating resilience.

Land and property

Land is made available for food production and community supported agriculture. Redundant commercial space is repurposed to support new social businesses in indoor urban agriculture for local consumption – lowering transport emissions, reducing food waste and improving water and energy efficiency.

relates to: *building the generative economy*

Spend

The percentage of local catering businesses engaged by the public sector is increased, with a co-ordinated approach to food and food-service procurement across local anchor institutions acting as a source of stable demand for local businesses.

relates to: *building the generative economy*

Workforce

Job transition schemes and intermediate labour market approaches support the unemployed, particularly young people, to gain employment in the burgeoning local food sectors.

Retail

A core sector which had underlying viability and resilience issues before the pandemic – now hugely amplified.

The challenge

The retail sector has undergone considerable shifts in recent decades. Changing consumer behaviour and the rising dominance of multinationals and online platforms have substantially increased the amount of spend flowing out of local economies.

For a sector already under pressure, the restrictions that have come with the Covid-19 pandemic could be catastrophic and private equity is waiting in the wings to capitalise on business failures.

The vision

Many small businesses have become central to their local communities, offering personal service and support and playing a valuable role in community mutual aid efforts. This renewed appreciation of the value of smaller, local retailers could be the catalyst for a revival of community-led retail. With the right support, we foresee an increased share of small, independent companies, owned by their workers and generating local economic and social benefits.

Putting it in to practice

Building the generative economy

VCSE organisations are supported to provide foundational services and goods, displacing commercial actors who generate little social value. A co-operative development fund supports the buy-out and conversion to worker owned co-operatives of retail business at the point of transition (e.g. offered for sale, or where the owners are retiring).

Finance

Mutual credit networks are established to support local retailers to continue to trade regardless of cashflow pressures. Public sector pension investments support the development of local, neighbourhood-based retail hubs.

relates to: *building the generative economy*

Land and property

The local authority purchases commercial retail property vulnerable to asset stripping investors and uses this investment to help kick-start new, community-led businesses.

relates to: *building the generative economy*

Spend

Local anchor institutions co-ordinate procurement activity to significantly increase their local spend. This provides a level of baseline demand that increases the viability of community businesses in the commercial sector.

relates to: *building the generative economy*

Workforce

"Gig economy" delivery workers are supported to come together in a new, local co-operative venture providing localised distribution services for independent retailers.

relates to: *building the generative economy*

Retrofit

A sector which could be stimulated to support a just transition - growing to provide jobs and investment in places which have experienced the collapse of key employment sectors due to Covid-19.

The challenge

The imperative to drive nationwide improvement in energy efficiency of our existing housing stock is enormous. [71] Domestic retrofit is the obvious policy solution. However, retrofit is prohibitively expensive, and beyond the reach of all but the most affluent homeowners. National policy in this area has proved insufficient in reducing costs and improving quality and quantity.

The scale of this challenge demands concerted and joined up action at national and local levels. Without the means to fund local retrofit sectors, access to finance and subsidy for households, or dedicated schemes to transition people into the jobs created, retrofit will not fulfil its true potential as a sector for the future in every local economy.

The vision

We need an approach that views retrofit as a piece of democratic, community infrastructure. Locally rooted retrofit schemes offer a triple whammy of economic benefit: business opportunities for local SME construction firms, reductions in energy costs for low income households and a sizeable source of new jobs in every community of the UK. A recent report by the UK Energy Efficiency Group estimated that upgrading home insulation across the UK could translate into 150,000 new skilled and semi-skilled jobs in the UK by 2030 and reduce household expenditure by £7.5bn per year.

While the scale of transformation needed requires and warrants major national investment, local authorities have a critical role in growing and shaping their local retrofit sectors to ensure that national investment flows through local economies, creating social and economic benefits beyond a reduction in carbon emissions.

Putting it in to practice

£

relates to: *spend*

Building the generative economy

Locally rooted construction firms with an interest in retrofit should be a key target for local business support initiatives, including specialist training and advice alongside finance and legal and business support. Attention must be paid to reskilling construction workers to meet retrofit demand, as well as animating new forms of supply where possible.

An example can be found in People Powered Retrofit, a scheme pioneered by the Carbon Co-op and URBED in Greater Manchester. Householders are supported through an end-to-end retrofit service, with advice on efficiency assessments and co-ordination to support them in procuring contractors. Alongside this they have established networks to support Greater Manchester-based contractors and consultants in the energy efficiency sector.[72]

By demonstrating their commitment to retrofit programmes through their spend, local authorities and social housing providers can provide guaranteed cash flow and thus trigger and enable investment by generative organisations into the sector.

Land and property

As outlined in the low carbon local authority housing section of this guide, local authority land and assets play a key role in developing the scale of stock available to retrofit, whilst meeting the pressing need for affordable, secure housing. They can also lead by example, ensuring that their own properties (whether domestic or not), are retrofitted to the highest possible standards.

relates to: *building the generative economy*

Spend and finance

Local authorities with retained housing stock and local social housing providers can use their spend to stimulate local retrofit markets through the strategic use of repair and maintenance budgets. Laying extensive pre-market groundwork will encourage generative providers to bid to become suppliers. Designing procurement processes which enable them to demonstrate the additional economic and social value they bring will be critical.

relates to: *building the generative economy*

Workforce

Retrofit offers a source of new skilled and semi-skilled jobs for those who have lost employment as a result of the pandemic. Bespoke training programmes, work-based training schemes and job transition programmes should be developed in close collaboration with existing and emerging generative retrofit organisations to support their specific needs.

Conclusion

We are under no illusion that the proposals set out in this guide will be easy. They run part-counter to the dominant orthodoxy of local economic development and the thrust of much UK-wide national policy. But if we are to build an economy that works for communities, that works to address climate change and creates resilience where there is risk and precarity, then this is the approach we must take.

Many are already answering that call. CLES is working with many local authorities - from Wirral to North Ayrshire, Wigan to Lewes and Wales to Birmingham - on the practical application of the proposals set out above.

If you would like to join this movement, we'd be delighted to hear from you.

How we can help

Diagnosis

Local supply chain
Analysis on the impact of Covid-19 on your supply chains and the role procurement and commissioning will play in local economic recovery.

Labour market
Mapping of at-risk sectors and geographies and possibilities for skills transfer to new growth sectors.

Assets
Reviewing your asset register to determine how it can support local economic recovery.

Local Economy Explorer
Determine how you can repurpose your local economy using bespoke data tools.

Recovery to reform action plans

Community wealth building
Evaluation and assessment via a rapid deep dive on strategies and actions needed to bend and scale existing policy to support recovery and reform.

Economic resilience
Understanding the composition, influence and relationships of the private, public and social sectors using CLES' models.

Local Green New Deal/Local Industrial Strategy
Developing sectors and skills, business diversification programmes and asset-based transitions for a greener and fairer future.

Place-based strategy
Working with localities to understand and analyse place specific issues (i.e. neighbourhoods, district centres, town centres).

Anchor institution strategies

Networks
Engaging with and convening anchor institutions to build effective networks

Impact
Mapping the local social, economic and environmental impact of anchor institutions

Input
Exploring how anchor institutions can contribute to recovery and reform plans

In addition, CLES can offer strategic advice, training and capacity support, acting as a guide and critical friend. If you would like to discuss this, or any other work, please **get in touch.**

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