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# Community Wealth Building in Australia: A New Focus for Regional Economic Development

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# Background to this Paper

**SGS Economics and Planning** invests in a sabbatical program for Partners which supports non-project based professional and knowledge development. In October 2019 SGS supported Pat Fensham, SGS Principal and Partner, to spend three weeks in Manchester with the **Centre for Local Economic Strategies (CLES)**. The focus of his time was on their **Community Wealth Building** work and participating in working sessions with CLES's partner Councils including Preston, Manchester, Gateshead, and Lewisham. CLES has led the development and application of Community Wealth Building initiatives with these and many other UK cities.

**Community Wealth Building is about creating a fairer and more sustainable economy.** It is a people-centred approach to local economic development, which aims to place control into the hands of local people and redirect wealth back into local economies. In their Community Wealth Building work CLES focus on five linked pillars:

1. socially virtuous procurement of goods and services by so-called 'anchor institutions' which are the major entities such as councils, hospitals and universities in towns, cities and regions
2. ensuring the employment practices and wages paid by anchor institutions and their suppliers are fair and provide opportunities for disadvantaged workers and communities
3. using the land and property of anchor institutions for positive community outcomes
4. harnessing wealth and savings for local community and economic benefits
5. encouraging plural and democratic models of business ownership to build wealth that stays in local communities.

The so-called 'Preston Model', has been a flagship for the Community Wealth Building agenda, now being implemented in regions and cities across the UK, led by CLES. During the October 2019 sabbatical Pat followed up a March 2018 visit to Preston. He spent more time in Preston with Council leaders and local procurement officers, discussing the ways anchor institutions have significantly increased the amount of money spent on goods and services within the local economy, to support local communities and small business development.

**SGS has a Memorandum of Understanding with CLES** to work together for local and community economic transformation in Australia, applying the principles of Community Wealth Building and related policy initiatives.

This **SGS Occasional Paper** summarises the origins of Community Wealth Building and the key pillars as defined by CLES. It identifies how CWB 'fits' given models and theories of regional development, with particular reference to anticipated critiques of the concept from neo-liberal economic perspectives, and highlights how it represents practical action in favour of fairer economic outcomes, where the alternative accepts continued uneven development and socially and politically destructive disadvantage. A CWB agenda for Australia based on the five pillars is suggested, plus complementary ideas or initiatives including:

- guaranteeing minimum standards for community infrastructure and services in recognition of the essential role of functioning communities in successful economic development
- increased devolution of policy making powers and responsibilities to local communities
- vesting ownership of land development rights with the community as a source of value to fund investment in beneficial community infrastructure.

The need for this reform agenda is even more urgent following the 2019-20 bushfires and the economic devastation caused by the response to the COVID 19 global pandemic.

The **City of Greater Bendigo** is interested in the Community Wealth Building agenda and applying it more comprehensively for the benefit of residents and the economy in Central Victoria. Council provided minor funding to support Pat's sabbatical research and establish connections for a closer relationship between Greater Bendigo and UK partners.

# 01 Introduction

Community Wealth Building (CWB) is about creating a fairer and more sustainable economy. It encompasses initiatives which redirect wealth back into local economies and seek to place control and benefits into the hands of local people.

In the last 10 years or so CWB has been particularly embraced in the USA, UK and beyond by local authorities with responsibility for communities and sections of the population ‘left behind’ by the economy, with a legacy of high rates of disadvantage and unemployment, and with diminished local economic self-determination and capacity. In many of these communities the orthodox neo-liberal public policy applications of deregulation, privatisation of public assets, commercialisation of public services and rationalisation of community infrastructure have exacerbated the sense of economic loss, of wealth extraction benefiting the already well off. While neo-liberalism, or market driven economics and public policy, might have driven income growth in aggregate, as practised it has overwhelmingly failed at redistribution.

For average working people, for many communities and for disadvantaged and marginalised groups, the labour market and tax and transfer systems intended to redistribute wealth, or enhance prospects for social mobility, have been manifestly insufficient in the face of recent economic change and its tendencies to concentrate wealth<sup>1</sup>. Much of the political turbulence of recent years has its basis in the way the benefits from the prevailing economic system aren’t shared fairly, leading to reactions of anger at the ballot box.

CWB represents ‘first tier’ policies on the progressive continuum now championed as the ‘Green New Deal’ agenda which is based on community focussed sustainability and ‘distributive economics’<sup>2</sup>, and is a reaction to the extractive tendencies of global capitalism and financialisation, where wealth and dividends are expatriated away from local areas and communities, and where environmental catastrophe seem ‘locked in’. The calls for the further articulation and implementation of this Green New Deal agenda appear set to increase following the COVID 19 related economic downturn.<sup>3</sup>

<sup>1</sup>While income inequality in Australia has apparently not widened according to the 2019 Household, Income and Labour Dynamics in Australia Survey report (see [https://melbourneinstitute.unimelb.edu.au/\\_data/assets/pdf\\_file/0011/3127664/HILDA-Statistical-Report-2019.pdf](https://melbourneinstitute.unimelb.edu.au/_data/assets/pdf_file/0011/3127664/HILDA-Statistical-Report-2019.pdf)), growing wealth inequality in Australia is discussed in for example the 2014 Australia Institute Paper at <https://www.tai.org.au/sites/default/files/PB%2064%20Income%20and%20wealth%20inequality%20FINAL.pdf> and summary of the 2018 Roy Morgan wealth report at <http://www.roymorgan.com/findings/7733-wealth-inequality-in-australia-is-getting-worse-201809210554>). The Roy Morgan report notes that the wealthiest 10% of Australians held 48.3% of net total wealth in 2017 compared to 46.8% in 2007, while the poorest 50% of Australians saw their share of net wealth fall from 3.9% to 3.7%. Growing personal wealth is highly correlated to income level, with those earning over \$130k having an average net wealth (\$1.2 million) nearly five times those earning under \$15k (\$248k).

<sup>2</sup>‘Distributive’ rather than ‘redistributive’ economics because it is about changing the spread of ownership of productive assets in the community prior to/independent of tax and spend measures.

‘Distributism’ advocates a society marked by widespread property ownership, see <https://en.wikipedia.org/wiki/Distributism>. In the New Deal that followed the depression, rural electrification was facilitated by locally owned rural electric cooperatives that got their start by borrowing funds from the Rural Electrification Administration (REA), signed into law by President Roosevelt in 1935. The electric co-ops built lines and provided the service on a not-for-profit basis. The electric co-ops are an example of a ‘distributive outcome’. REA is now the Rural Utilities Service, or RUS, and is part of the U.S. Department of Agriculture. <https://www.electric.coop/our-organization/history/>

<sup>3</sup>See <http://www.smh.com.au/world/follow-south-korea-and-add-green-deal-to-virus-recovery-says-guterres-20200501-p54p3z.html?btis>



In the UK, the Centre for Local Economic Strategies (CLES) based in Manchester has championed CWB as practical, people-centred economic development actions, framed by progressive concepts. A key part of the CWB agenda is to retain and build wealth that adds social value from within, rather than necessarily relying on inward investment. ‘Anchor institutions’ have a critical role to play in this agenda. Anchor institutions are large commercial, public and social sector organisations which have a significant stake in a city, town or place, as distinct from businesses whose capital is ultimately mobile. CLES has been working with anchor institutions with the aim of maximising local economic, environmental and social benefits from their spending on goods, works and services.

As regional economic disparities grow in Australia, and as more communities feel alienated or by-passed by economic change, with people feeling ‘trapped’ in a life of reduced prospects compared to more prosperous regions or communities, demand will increase for alternative economic approaches and models that address disadvantage, support environmental repair and restoration and

maximise benefits for local communities rather than remote corporate interests. Following the devastating 2019-20 summer bushfires, when many struggling regions suffered compounding catastrophic economic and environmental losses, and more generally now following the economic impacts caused by the shutdown in response to COVID 19, there is an opportunity to take a fresh look at the question of sustainable economic development in Australia. Community Wealth Building, and rebuilding based on fairer, inclusive local economic development models, should be a priority on the continuum of progressive policy responses.

This SGS Occasional Paper summarises the origins of CWB and the key pillars as defined by CLES. It identifies how CWB ‘fits’ given models and theories of regional development, with particular reference to anticipated critiques of the concept from neo-liberal economic perspectives, and highlights how it represents practical action in favour of fairer economic outcomes, where the alternative implies continued uneven development and costly disadvantage. An agenda for Australia, including complementary ideas or initiatives, is suggested.

# 02 Community Wealth Building

## 2.1 The Origins of Community Wealth Building

Community Wealth Building was initially championed by Ted Howard of the Democracy Collaborative in the United States, with the aim of building a more equitable, democratic economy with new institutions to support social and economic justice, rooted in community- controlled land and enterprises<sup>4</sup>. Initial work focussed on Cleveland, Ohio, one of the cities most impacted by economic change. By leveraging the spending power of some of the city's major anchor institutions – its hospitals and universities – a new model of large-scale worker-owned and community-benefiting businesses was developed.<sup>5</sup>

In the UK, drawing inspiration from Cleveland and the ideas of the Democracy Collaborative, Preston Council, was interested in alternative economic models, particularly based around co-operative ownership or worker ownership of businesses. However, without the US tradition of philanthropic funds, which are sometimes available to provide significant start-up finance, and given the intensive support that would be required, the prospects of building a co-op based local economy quickly in Preston were remote.<sup>6</sup> With a different initial emphasis CLES worked with Preston Council to develop a pioneering version of CWB responding to the local UK context.

This was initially based around the procurement of six anchor institutions in Preston (the City and Lancashire County Councils, University of Central Lancashire, the Office of the Lancashire Police and Crime Commissioner, Cardinal Newman College). The focus was on stemming the leakage of income from the Preston region by auditing the spend of the anchors, identifying that which is 'influenceable' and modifying procurement practices to enable local, more socially virtuous, suppliers to better compete for contracts, while also working with suppliers to better expose them to opportunities and help them 'gear up' to compete. The idea was to 'knit together' the demand from anchor institutions to the supply of good local businesses in the Lancashire area. In Preston, it is estimated that this approach led to local spending by anchors more than tripling, while across Lancashire it increased by over 40 percent in four years (from 2012/3 to 2016/7).

More detail on the Preston initiatives and their impact is included in Box 1.<sup>7</sup>

<sup>4</sup>See <https://democracycollaborative.org/democracycollaborative/local-economies/Stronger%20local%20economies>

<sup>5</sup>See <https://community-wealth.org/content/cleveland-model-how-evergreen-cooperatives-are-building-community-wealth>

<sup>6</sup>See <https://cles.org.uk/blog/time-for-home-lessons-learned-from-the-us/>

<sup>7</sup>CLES summarise their work in Preston at <https://cles.org.uk/publications/how-we-built-community-wealth-in-preston-achievements-and-lessons/> and there is a further summary at <https://thenextsystem.org/the-preston-model>.

## Box 1 Community Wealth Building in Preston

Unlike Central Government, Councils in Britain are required by law to produce balanced budgets. Grant monies and central government assistance to local government have been massively reduced as a result of the austerity measures, and program and staff cuts have been necessary to stave off bankruptcy.

Preston Council had its budget reduced from £49 million to £22 million over perhaps five years. In keeping with a strong social justice stance, as actioned in policy through Council's Fairness Agenda<sup>8</sup>, and notwithstanding its much reduced financial capacity, Council was the first employer in the north of England (in 2012) to pay the recommended 'living wage' and has committed to three non-essential functions serving the most vulnerable in the community. These are:

1. Support to continue to offer welfare benefits and debt advice services.
2. Development of a Local Council Tax Support Scheme which spreads the impact of reduced funding to avoid impacting any one particular vulnerable section of the community.
3. Investment of £100,000 in the Guild Money Credit Union (now trading as CLEVR Money), offering savings and affordable loans and assisting residents to avoid predatory and high interest 'pay day' lenders.

As part of the Community Wealth Building initiative (pioneered by CLES) Council has worked alongside the six anchor institutions to maximise the socially virtuous and locally spent share of their collective annual procurement budgets. Across the anchor institutions, the proportion of collective procurement spend in the local economy of Preston has increased from 5 percent (£38m) in 2013 to 18.2 percent (£112m) in 2016/17 and in the wider Lancashire economy from 39 percent (£292) to 79.2 percent (£486m) in this period. This during a time when, because of austerity, the overall budgets of the anchor institutions fell, from £750m to £616m. Council estimates that the increased spend in Preston supports some 1,648 jobs, while the increased spend in Lancashire supports some 4,500 jobs<sup>9</sup>.

The latest analysis shows that 20.8 percent of anchor spending leaks out of the Lancashire economy compared with 61 percent in 2013. Of this leakage, it is estimated that approximately 60 percent of it is potentially influence-able, which provides further opportunities for Preston and Lancashire based suppliers.

A key driver of the reforms was a collaborative procurement charter agreed by the anchors and comprising six objectives:

1. To simplify the procurement process and encourage a diversity of organizations to bid for contracts.
2. To reduce spend leaking out of the Preston and Lancashire economies.

3. To understand the local business base in greater detail.
4. To develop the capacity of local businesses and social enterprises to bid for contracts.
5. To raise local awareness of procurement opportunities.
6. To identify services that could potentially be provided by worker co-operatives.

A cultural or 'mindset' shift was required, and this was facilitated by the establishment of a Preston Procurement Practitioners Group. This group was set up to enable peer learning among officers and to share case studies of good practice. This has been critical to success, with collective approaches and flexible ways of working together the key.

Other initiatives and innovations of the Council, consistent with the Fairness Agenda but also reflecting the dictates of austerity, include:

- investment in and restoration of the covered market adjacent to the Town Hall, re-built by family firm Conlon using local contractors
- assistance for the development of worker co-operatives
- the sale of the bus station, which was enormous and costly to maintain bus station (apparently Europe's largest) for £1 to the County Council, refurbished and partly repurposed, including a large public space, and
- research and policy work towards the establishment of a co-operative Lancashire Community Bank, to extend retail banking and lending facilities to small businesses and ventures otherwise denied finance by the highly centralized banking system.

Council also played a leading role in securing a 'City Deal' with Central Government, reflecting the advantage Council has gained from highly developed and constructive working relationships with the two neighbouring district Councils including a rare, cross boundary joint Local Plan. Council persuaded the Lancashire Pension Fund to put £100m into the City Deal along with Central Government contributions.

The City Deal provides mainly road funding to support faster access to the city centre as well as the development of employment precincts and a new housing estate on the edge of Preston, which included a 40 percent affordable housing contribution.

*This summary draws on a long discussion in March 2018 with Derek Whyte, the thoughtful and erudite, now retired Deputy Chief Executive of Preston Council.*

<sup>8</sup>The Fairness principles are expressed as follows. 'Preston is a city where working together we can be a fairer city; a more prosperous city for all our people. A city:

- which has fairness at the heart of its decision making
- with an economy which supports prosperity and promotes fairness in working practices
- where everyone has access to affordable energy and decent, affordable living which suits their needs.'

<sup>9</sup><https://www.councils.coop/wp-content/uploads/2017/10/Community-Wealth-Building-Preston-City-Council-1.pdf>



There is still significant interest in Preston and the UK in general on more democratic forms of business ownership including worker co-operatives. Preston's partners are learning from and partnering with colleagues from the Mondragon Corporation, which is a massive federation of worker cooperatives based in the Basque region of Spain.<sup>10</sup> The aim is to develop and deepen the cooperative culture and make Preston a 'more co-operative' place.<sup>11</sup>

Co-operatives UK, the peak body for co-ops and based in Manchester<sup>12</sup> acknowledges that much more work on developing a supportive culture, education as to the potential for co-ops, and pathways to their formation is required before the co-op sector can expand sufficiently to meet the ambition of more widespread democratic and plural ownership of the economy.

The procurement reform work in Preston was accompanied by other initiatives including refurbishment and renewal of city centre assets and getting the Lancashire Pension Fund to put £100m into a City Deal and a further £200m into the wider Lancashire economy.<sup>13</sup>

UK Labour noted Preston's achievements and looked at how CWB might be incorporated more broadly into a national agenda. Subsequently, an article in the Guardian by Aditya Chakraborty early in 2018 propelled the idea of CWB into greater national prominence.<sup>14</sup> Since then, dozens of local authorities have worked with CLES to implement CWB principles and policies in their own localities. Whilst much of this work has been inspired by work in Preston, the blend in each locality has been bespoke to place, as befitting the differences between the UK's many urban, rural, and peri-urban local economies.

CWB is now sufficiently embedded in policy and practice in local authorities across the UK. In January 2020, London Borough of Newham published their Community Wealth Building Strategy<sup>15</sup>, and similar policies are expected imminently from Wirral Council, Lancaster Council, Brighton and Hove Council, and Sunderland City Council in the coming year. In the Scottish Government's Programme for Government, there is a specific focus on Community Wealth Building, and CLES is also piloting Community Wealth Building projects with the Welsh government. Almost eight million people, or around 12 percent of the UK's population, now live in neighbourhoods where the Community Wealth Building agenda is being explored.

CLES has been awarded funding by Barrow Cadbury Trust to develop a National Centre of Excellence. The purpose is to accelerate the adoption of Community Wealth Building policy and practice in the UK over the next three years. Joe Guinan of the Democracy Collaborative, and Martin O'Neill, University of York, have recently further articulated the agenda in their book 'The Case for Community Wealth Building'<sup>16</sup>.

<sup>10</sup>The Mondragon Corporation employs over 80,000 people in 266 companies and organizations in four areas of activity: finance, industry, retail and knowledge (see <https://www.mondragon-corporation.com/en/our-businesses/companies-and-cooperatives/>). It is the tenth-largest Spanish company in terms of asset turnover, according to Wikipedia (see [https://en.wikipedia.org/wiki/Mondragon\\_Corporation](https://en.wikipedia.org/wiki/Mondragon_Corporation)).

<sup>11</sup>See <http://blogs.lse.ac.uk/politicsandpolicy/local-democracy-with-attitude-the-preston-model/>.

<sup>12</sup>See <https://www.uk.coop/>

<sup>13</sup>See <http://www.preston.gov.uk/businesses/preston-and-lancashire-city-deal/> and <http://www.lancashirelep.co.uk/city-deal.aspx>

<sup>14</sup>See <https://www.theguardian.com/commentisfree/2018/jan/31/preston-hit-rock-bottom-took-back-control>

<sup>15</sup>See <https://www.newham.gov.uk/Pages/Services/Community-Wealth-Building.aspx>

<sup>16</sup>See <https://community-wealth.org/content/case-community-wealth-building>

## 2.2 The 'Pillars' of Community Wealth Building

CLES has evolved the concept of CWB for application in the UK and now distil the action agenda around five linked pillars as follows.

### 1. Progressive procurement of goods and services

This is about anchor institutions – the major public (though potentially private) entities – using their procurement processes and decision making to deepen local supply chains and socially virtuous business development, spending and investment. It is a deliberate leveraging of expenditure towards socially and environmentally valuable practices and outcomes. Progressive procurement would ultimately develop dense local supply chains of local enterprises, SMEs, employee owned businesses, social enterprises, cooperatives and other forms of community owned enterprise. Progressive procurement is likely to be locally enriching because these types of businesses usually support local employment, have greater propensity to retain wealth and surpluses locally, and are more engaged with local communities and environments given their standing and responsibilities as 'local corporate citizens'.

### 2. Fair employment and just labour markets

This is about anchor institutions stimulating and contributing to a fair economy through decent wages and conditions. Often the biggest employers in a place, the approach that anchor institutions take to employment can have a defining effect on the employment prospects and incomes of local people. Recruitment from lower income areas, commitment to paying good wages and building progression routes for workers are all examples of the actions anchor institutions can take to stimulate the local economy and bring social improvements to local communities.

### 3. Socially productive use of land and assets

This is about anchor institutions using land and property in ways that generate wealth and benefits for local citizens rather than for remote, private interests. Anchors are often major land holders and can support the development of under-utilised assets and land for positive community outcomes.

### 4. Making financial power work for local places

This is about harnessing wealth and savings for local community and economic benefits, as an alternative to pursuing national or international capital. The role for local pension funds to invest locally and sustainably is a focus for this in the UK. Similarly, mutually owned banks, and regional banking charged with enabling local economic development, are supported. The idea is to channel socially virtuous investment to local communities while still delivering benchmark financial returns for investors.

### 5. Plural ownership of the economy

This is about encouraging different models of business ownership to build wealth that stays in local communities. At the heart of Community Wealth Building is the principle that wealth is broadly held. Cooperatives, mutually owned businesses, SMEs and municipally owned companies enable wealth to stay local and play a vital role in counteracting the extraction of wealth that otherwise occurs when corporate economics prevails.

A typical initial step for CLES in developing a CWB agenda for a local authority is to audit how the town or region is performing against each of these five pillars, what actions might already be occurring, and what might be done in addition to deepen local CWB. A 'diagnostic' is applied, based on reviewing policies and practices of the local authority or other anchor institutions, including discussions with local councillors, officers and stakeholders.

As mentioned earlier CWB as characterised by these pillars could be seen to fit within the much wider discussion about and deeper agenda for reframing national economies on a sustainable footing, based on a 'Green New Deal'. This is being championed by progressive elements of the Democratic Party in the US, by UK Labour and now by the Greens in Australia<sup>17</sup> (the Green New Deal goals identified in the USA are listed in Box 2).

<sup>17</sup>See <https://www.thesaturdaypaper.com.au/news/politics/2020/04/11/the-greens-new-deal/15865272009676>



## Box 2 New Green Deal Goals

In the USA the resolution put to Congress identified the 'Green New Deal Goals' as follows:

*(A) to achieve net-zero greenhouse gas emissions through a fair and just transition for all communities and workers;*

*(B) to create millions of good, high-wage jobs and ensure prosperity and economic security for all people of the United States;*

*(C) to invest in the infrastructure and industry of the United States to sustainably meet the challenges of the 21st century;*

*(D) to secure for all people of the United States for generations to come*

*(i) clean air and water;*

*(ii) climate and community resiliency;*

*(iii) healthy food;*

*(iv) access to nature; and*

*(v) a sustainable environment; and*

*(E) to promote justice and equity by stopping current, preventing future, and repairing historic oppression of indigenous peoples, communities of color, migrant communities, deindustrialized communities, depopulated rural communities, the poor, low-income workers, women, the elderly, the unhoused, people with disabilities, and youth (referred to in this resolution as "frontline and vulnerable communities");*

The goals would be achieved by a 10 year New Green Deal mobilisation plan, with a range of identified actions and desired outcomes (see <https://www.congress.gov/116/bills/hres109/BILLS-116hres109ih.pdf>).

# 03 Community Wealth Building in theory and practice

## 3.1 CWB and regional economic development theory

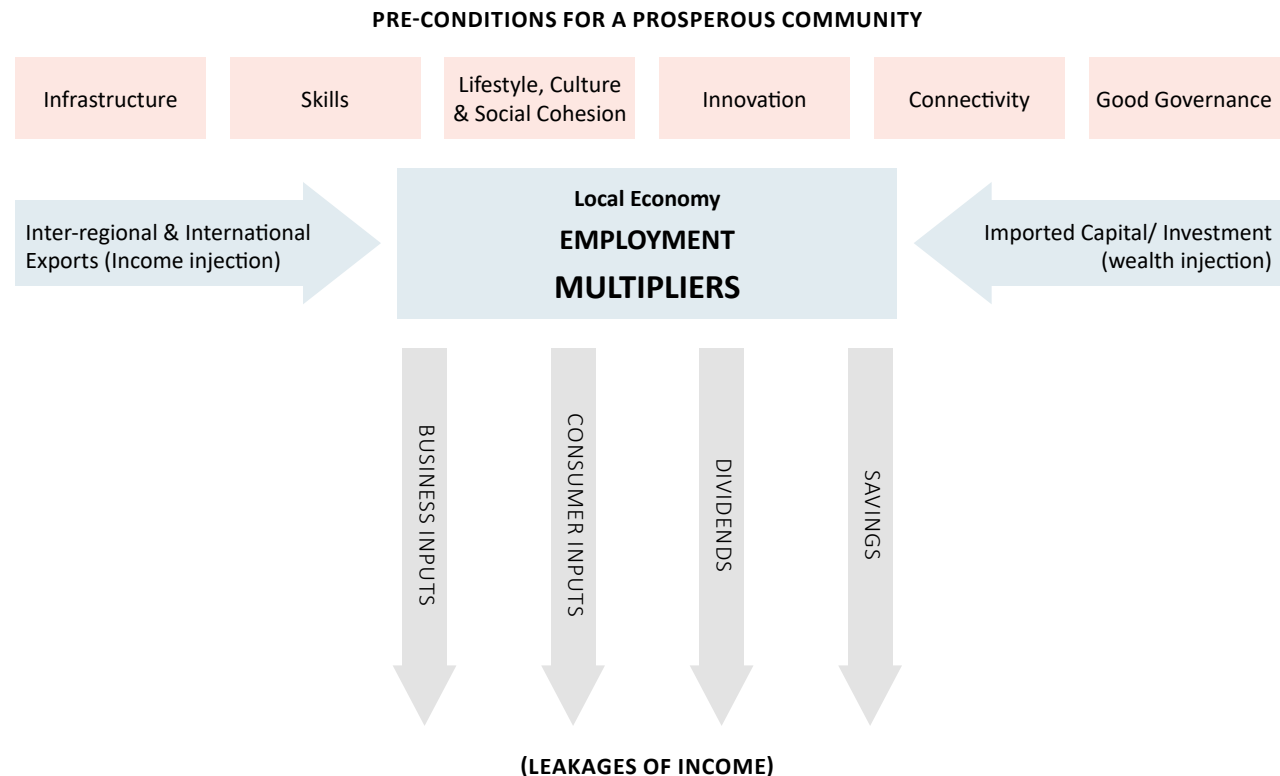
While the CLES and CWB agenda represent a new emphasis on the standard elements of economic development theory, and what underpins local and regional prosperity, at the same time it challenges neo-liberal convention when it comes to micro-economic theory and assumptions.

The standard model of regional economic development as typically characterised by SGS (see Figure 1) suggests that local and regional wealth will be maximised where:

1. inter-regional exports grow and inward investment is attracted to grow the capital base and the 'wealth pie'
2. the leakage of expenditure from the importing of goods and services which could otherwise be provided locally is minimised, as is the investment of local savings outside the region, and
3. the money spent and invested is circulated and recycled in the locality or region through multipliers based on integrated business activity and deep local supply chains.

The theory suggests that the chances of this occurring is best where strategic competitive advantages based on location, capital availability, and natural and human resources are underpinned by a strong platform of 'pre-conditions' such as infrastructure, skills, lifestyle and good governance etc.

Figure 1 Model of a Local Economy



Often the emphasis in conventional economic development strategies is on the first of these three sources of regional wealth. Developing existing or potential export sectors and investment attraction plans have been central to this effort. This emphasis partly arises because expanded exports and inward investment represent the high profile and 'saviour' options, with the greatest prospect of noticeable jobs and economic growth. After all, which local council mayor wouldn't welcome or want to preside at the explicit signs of inward investment such as a new medical research facility, big box shopping centre, product processing plant or high-tech office park?

However, what if the prospects for exogenous sales or investment are modest or non-existent; an illusory promise? This is the situation faced by so many regions as the forces of agglomeration and tertiarisation have centralised economic activity and jobs in fewer urban centres, or within their immediate, accessible orbit.

As SGS's reports into the Economic Performance of Australia's Cities and Regions show, large parts of Australia are economically stagnating, even prior to the COVID 19 economic impacts.<sup>18</sup> Only the regions in Australia with significant population growth, capital intensive mining or advanced urban services and agglomeration have been growing economically (and these too will now be negatively affected). Similar forces have been at play in other western economies where regions have seen mechanisation strip jobs in agriculture and primary industries, the 'off-shoring' of manufacturing, or the promise of jobs following new settlements not materialise.

In many regions declines in export income and new inward investment will more than likely have been compounded by government directives for agencies in these regions to centralise procurement to achieve 'efficiencies', by local government outsourcing, by the proliferation of retail 'chains' repatriating income to head office locations and, critically, by locally generated savings and pensions being invested outside the region by national or international financial institutions or fund managers.

In these circumstances, while building their export income sources wherever possible, it simply makes sense for disadvantaged or stagnating regions to also 'claw back' wealth by focussing on the second and third approaches to economic development that seek to minimise the leakage of expenditure and savings to other regions, and to recirculate the available wealth to maximise local wellbeing and benefits.

The Preston initiatives had their origin in the 'light-bulb' moment when a major external shopping centre investor withdrew from the promise of 'rejuvenating' town centre renewal and development, and the Council realised a more endogenous wealth building strategy was urgently required.

<sup>18</sup>See <https://www.sgsep.com.au/publications/insights/gdp-report-economic-performance-of-australias-cities-and-regions>

### 3.2 CWB and neo-liberal perspectives

Actions to address the second (import replacement) and third (recycling income) wealth sources could be said to fit uneasily with neo-liberal prescriptions for market based 'efficiencies' and unfettered regional trading relationships.

It is easy to imagine the critiques of the five pillars of CWB from the neo-liberal economic perspective.

- **Progressive and locally focussed procurement** of goods and services would be (and has been) said to be 'municipal protectionism' and not 'adding value', and thereby not contributing to competition, innovation or economic growth in aggregate.<sup>19</sup>
- **Fair employment and just labour markets** (e.g. paying living wages and offering employment opportunities to local unemployed or underemployed workers) might be said to prioritise lower skilled or less able workers at the expense of quality and appropriately specialised labour inputs only able to be sourced externally.
- **Socially productive use of land and assets** (e.g. deploying the resources of anchor institutions for local community uses and benefits) would be said to imply an 'opportunity cost' with higher value uses denied access, and the income from these uses not able to be realised and deployed elsewhere or for other community benefits.

- **Making financial power work for local places** (e.g. by providing local access to finance for local small business development or investing local savings into locally productive infrastructure) would be said to be denying savers and wealth holders larger returns from investment in higher yielding activities outside the locality or region.
- **Plural ownership of the economy** (e.g. encouraging the development of worker cooperatives, mutually owned businesses, SMEs and municipally owned companies) would be said to deny the potential of economic efficiencies and new investment offered by large listed or multi-national corporates or otherwise 'lock out' traditional businesses operating in the commercial economy, with anti-competitive and inefficient results.

These critiques draw on a theoretical and abstract economic view and, critically, are silent on place, and the uneven and often cruel distribution of wealth across regions and nations. The reality is that the pure neo-liberal approach to economic development has, to be generous, *very few* answers to the dilemmas that declining and disadvantaged cities and regions face. The foundational role of strong communities, with their trust-based relationships, local connections, individual community champions, reserves of human capital and volunteer effort, don't feature in the theory.

A reliance on labour market regulation, on anti-trust laws and oversight and the tax and transfer system has not worked. Even with a stronger application of these elements of economic management the broader imperative which is central to the CWB agenda won't be addressed. This is about the dignity and sense of worth of local communities; of their relevance; of their well-being and their productive and useful place in the economy.

<sup>19</sup>See, in relation to Preston, <https://www.economist.com/britain/2017/10/19/preston-jeremy-corbyns-model-town>

### 3.3 CWB as practical action for fairer economies

Within the range of progressive potential economic policy reforms CWB represents a practical agenda to address real local economic stresses. The alternative is business as usual inaction leading to even deeper disparities and costs. From this positive position, each of the broad neo-liberal critiques of CWB above can be refuted, or at least a clarification of intent and practical approaches to each can be identified, to avoid the ‘problem’ identified.

**Effective progressive and local procurement** should be practically applied. The UK Government has already legislated the Public Services (Social Value) Act 2012 that requires public authorities to have regard to economic, social and environmental well-being in connection with public services contracts and for connected purposes. This recognises that “a missed opportunity to deliver social value is a cost that has to be absorbed elsewhere in public services”.<sup>20</sup>

The additional local dimension to procurement encouraged by CLES requires a common sense approach on the understanding that it will not be possible or desirable to repatriate 100 percent of the anchors’ spend, given the need for expertise, products and services that can only be sourced from outside the region. In Preston’s case the repatriated spend to date has come pretty much exclusively from Greater London and the South East (GLSE)<sup>21</sup> and has been a boost to competitiveness in the local economy thereby achieving a virtuous circle (which is why the Conservative-controlled Lancashire County Council has also bought into this approach). It should also be noted that to date EU regulation prohibits the favouring of local businesses given the need to achieve quality and price competitive outcomes, so encouraging the involvement of local businesses relies on making them aware of opportunities and ensuring potential contracts that enable them to compete. Rather than necessarily focusing on location, the intent here is to focus on the social good provided by the supplier, for example who they employ or the multiplier effect in their supply chains. Locality can often be used as a proxy for assessing some of these measures, especially as regards local employment.

Manchester City Council has taken social value in procurement well beyond the ‘box ticking’ exercise that it is sometimes characterised as in the UK<sup>22</sup>. It is driving to increase the weighting from 10 percent to 20 percent in procurement decisions (with 40 percent on cost and 40 percent on quality) having had significant success in driving social outcomes, including increasing employment opportunities in highly disadvantaged areas and in local construction companies with progressive commitments. Furthermore while Council has increased its local spend by a proportionate rise of over 20 percentage points since work began in 2008/09, CLES recognises that local suppliers can only be said to be adding social value if it they are producing real, substantive outcomes for local people; good employment, training, skills and development which is demonstrated by their analysis.<sup>23</sup> The think-tank DEMOS has identified a significant reform agenda for radically expanding progressive procurement in the UK.<sup>24</sup>

**Providing a wage sufficient for living** quite reasonably corrects a market failure by internalising appropriate costs for business (and is an example of labour market intervention, though not required by legislation in the UK) while it and **targetting jobs for the unemployed and disadvantaged** reduces social costs which the economy or wider community would otherwise have to bear (in tax transfers and outlays to address crime, health and wellbeing). Critically it has the potential of bringing dignity to workers in families and communities where disadvantage is entrenched. Again, the approach is applied practically and where possible in the UK examples, with unchanged quality benchmarks and an explicit marginal cost acknowledgement if necessary.

**Leveraging the use of land and assets for socially beneficial outcomes** again recognises the principle of generating community wide benefits, even if the proposed application or use may represent a ‘sub-commercial’ financial outcome. Community owned land or assets might be deployed and generate significant non-financial value when used, for example, for recreation and community gatherings, as community transaction centres with basic banking and post office services, ‘drop-in’ centres or neighbourhood houses, as rehearsal and creative spaces or as subsidised business start-up spaces. In many instances, particularly

<sup>20</sup>See [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/784848/11.03.19\\_FINAL\\_FINAL\\_DOC\\_Social\\_Value\\_in\\_Government\\_Procurement.docx](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/784848/11.03.19_FINAL_FINAL_DOC_Social_Value_in_Government_Procurement.docx)

<sup>21</sup>pers comm with Derek Whyte, ex deputy CEO of Preston Council

<sup>22</sup>See p.24 of a UK Government review into the Social Value Act [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/403748/Social\\_Value\\_Act\\_review\\_report\\_150212.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/403748/Social_Value_Act_review_report_150212.pdf)

<sup>23</sup>See <https://cles.org.uk/blog/from-policy-to-practice-how-social-value-can-drive-real-outcomes-and-change-lives-in-manchester/> and <https://cles.org.uk/publications/the-power-of-procurement-2/> and

<sup>24</sup>See <https://demos.co.uk/wp-content/uploads/2019/10/UK-CLOUD-04.10.2.pdf>



in economically stagnating regions and where property markets are depressed for example, the trade-off between a community and commercial outcome may not even be required as the land or assets are idle or underutilised and there isn't an obvious, alternative commercial use for them. In these circumstances, and definitely in the UK where austerity has bitten hard into the community resource base in so many localities, it just makes practical sense to ensure that community owned assets are deployed for socially useful outcomes.<sup>25</sup>

The neo-liberal critique on the element of **making financial power work for local places** might assume that every bank depositor, saver and pension holder anticipates maximised returns on their money, with minimal regard to cost (borne by others). The reality is that many household investors choose low risk products, anticipate 'balanced' returns and expect their money to be invested ethically and without environmental impact. The pressure on investors to withdraw from fossil fuel activities and the rise of ethical investment funds are just a small indication of this latter phenomenon.

Furthermore, the transaction churn and fees extracted by the financial institutions in the delivery of their 'services' and investment activities erode the potential for them to be simply aiming to maximise profits on behalf of savers and investors. Inertia and the 'hassle' of moving from one institution to another is also a brake on economically rational, profit maximising behaviour.

In Britain 'pay day' lending for those struggling to make ends meet has boomed as a high interest extractive curse on main streets throughout the land, while on the flip-side access to finance and lending for small business and start-ups is scarce.

The structure of banking is a problem and a focus for solutions alongside the CWB agenda. In the UK 90% of deposits are taken by 5 banks and most of that money is used to fund asset and financial transactions.<sup>26</sup> In Australia the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry revealed the deep dysfunction of the banking sector here (related to one, the connection between conduct and reward; two, the asymmetry of power and information between financial services entities and their customers; three, the effect of conflicts between duty and interest; and four, holding entities to account.<sup>27</sup> However, no Australian mutual banking institution was called before the Royal Commission and the issue of the obligations on banks from the social licence under which they operate wasn't in the terms of reference<sup>28</sup>.

<sup>25</sup>An extension of this is the phenomenon of community buy outs of pubs and shops, relatively common in the UK but also now occurring in Australia, where these are seen as critical community infrastructure even where not able to provide a commercial return. See Australian examples of community owned pubs at <https://www.abc.net.au/news/2018-12-21/nandaly-community-pitch-in-to-purchase-pub/10640136> and of community store buy-out and conversion to co-op ownership at <http://www.kerryanderson.com.au/blog/2016/7/17/co-ops-up-close-and-personal>.

<sup>26</sup>See <http://hampshirebank.org/>

<sup>27</sup>See <https://www.royalcommission.gov.au/sites/default/files/2019-02/frsc-volume-1-final-report.pdf>

<sup>28</sup>See <https://theconversation.com/do-no-harm-isnt-enough-why-the-banking-royal-commission-will-ultimately-achieve-little-116076>



A problem for local communities in accessing development finance stems from the lack of choice and competition given the centralised nature of the banking sector, particularly in business banking. It is dominated by institutions conflicted by their public serving, quasi-monopolistic licence (to manage money on behalf of individuals, households and businesses) and their shareholder owned status intent on maximising profits. This conflict has not been adequately managed and banking in the modern era – at least in the UK and Australia- has approached the pinnacle of wealth extraction. Local communities have been left behind and scorched by this evolution.

A sector ‘re-set’ would licence new community based financial institutions relevant to place and scale, enabled to operate in low risk deposit taking and mortgage provision, as well as lending to local small businesses, without needing to extract excessive surpluses for shareholders. In the absence of licensing reform (a barrier in the UK as well as Australia), a greater focus on forming community-based partners with established banks or approaching an existing mutual to set up in small towns and regional communities are practical alternatives. Policies generally that allow the mutual sector to grow and compete also desirable.

Preston is exploring the idea of a Lancashire Community Bank, to be modelled on the Hampshire Community Bank which is currently seeking a banking licence. The community banking being promoted by these models aims to help small depositors and small firms, fund productive and sustainable local investments, be locally headquartered, with loan decisions made by locals and surpluses returned to local people and communities.

Australia already has a successfully operating mutual or customer owned banking sector, which holds around 10% of home loans.<sup>29</sup> Many of Australia’s mutual banks are the result of mergers between small employment or parish based credit unions formed throughout the country between the 1950s and 1970s. The UK does not have the same strong credit union tradition. The Australian sector has a track record of being socially responsible lenders and could be partners in CWB initiatives in the regions where they operate.

Australian mutual banks have no leakage to investors, focus on core banking as much as possible (i.e. deposit taking, residential mortgages and personal loans), and have aimed to keep local branch services operating. Surpluses above a benchmark rate are often returned to communities in the form of grants for worthy, community capital development projects.<sup>30</sup>

The British initiatives seek to go somewhat further into the commercial economy, including lending for small business, as the Hampshire Bank website<sup>31</sup> says:

The solution is to introduce a different type of bank that operates differently and is dedicated to the local community. This values-based banking proposition will support SMEs by placing emphasis on productive and sustainable lending, thereby stimulating the real economy and creating local jobs. A virtuous cycle of growth is formed when a local, small firm-focused bank offers customer-centric, relationship-based banking services, without pushy sales techniques and without a bonus culture.

CWB also seeks the redirection of investments by pension funds (or superannuation in the Australian context) into the local economies from which deposits are derived. This raises trickier questions about the scale of projects for investment, risk and the generation of competitive returns (as well as the possibility of denying socially worthy offshore projects of much needed investment). However, just as tax incentives to encourage the investment of super into affordable housing are suggested so could incentives for investment in socially worthy, local projects. There are a range of innovations that could be considered such as pooled investment vehicles (which Preston is tentatively exploring through the idea of a Lancashire Combined Authority), and providing a modest, guaranteed rate of return for pension and super funds investing in local projects. Merely offering the option to contributors for a local investment for a portion of funds is likely to be attractive.

In Australia the success of the Clean Energy Finance Corporation, seeded and licensed to invest in low carbon and renewable energy projects, provides a model for repetition to boost investment in worthy regional and local investment projects.

<sup>29</sup>The Customer Owned Banking Association (COBA), provides facts and figures on the size of mutual banking sector, see <http://www.customerownedbanking.asn.au/media-a-resources/key-stats-a-fact-sheets>

<sup>30</sup>Beyond Bank invests 9 per cent of net profit after tax into community/charity/grants, with a focus on partnership opportunities that create more mutual value rather than pure philanthropy, see pages 14-15 in <https://bccm.coop/wp/wp-content/uploads/2019/11/BCCM-2019-NME-Report.pdf>

<sup>31</sup>See <http://hampshirebank.org/>

Encouraging **plural or democratic ownership of the economy** need not imply ‘closed shop’ protection for only a certain class of business. If targeted and intelligently applied, initiatives seeking this outcome can represent a necessary corrective to the centralising tendencies of capitalism, where scale economies and monopolising ambitions favour remote, large corporates. There is also evidence to suggest that small businesses with plural forms of ownership are likely to be more competitive, profitable, and sustainable than businesses with traditional forms of ownership. Research from organisations such as the Employee Ownership association in the UK<sup>32</sup> and the Business Council of Co-operatives and Mutuals (BCCM) in Australia<sup>33</sup> highlights the wider economic benefits of plural forms of ownership.

The ‘take back control’ desire behind a significant share of the support for Brexit<sup>34</sup> is driving alternative, perhaps more worthwhile initiatives based on local economic determinism and democratisation, encouraged by CLES and others and supported by Co-operatives UK and their equivalent in Australia, the BCCM. A healthy competitive economy is fed by new small businesses and if these businesses are cooperatives, worker owned or otherwise focussed on returning surpluses for local reinvestment in labour and business expansion, then this may boost local innovation and productivity – as well as assist in local communities feeling more connected and engaged in local economic activity and thereby ‘taking back control’.

Preston Council and the University of Central Lancashire has established the Preston Co-operative Development Network learning from and partnering with colleagues from Mondragon in Spain, with a view to making Preston a more co-operative place<sup>35</sup>.

Fast tracking the development of a co-operative sector is difficult, as Preston has found, and care should be taken to ensure that resources are not diverted to businesses just because they are co-operatives or similar, even where they are not otherwise qualified to compete. If this were to occur it may represent an unnecessary competitive restraint on the alternative family owned or local small business sector.

As a start a commitment by government or anchor institutions to procure a share of goods and services able to be provided locally, and only from those companies with a co-operative ethos, or demonstrating a commitment to social value creation, fair work practices and environmental sustainability would encourage a valued business sector (an extension of the progressive or local procurement idea discussed above). Many companies are seeking certification for their progressive credentials via B-Corp certification.<sup>36</sup> Anchor institutions could encourage the development of progressive business practices, if not solely the cooperative business sector, by preferring suppliers with this sort of certification.

More traditional economic development models of business incubation, with explicit subsidies provided through sub-market rents, business assistance and training provision, for a limited time until ‘graduation’, might also be introduced where there are obvious gaps in local supply chains.

Opening up the decisions of superannuation fund managers to greater scrutiny, and allowing for member input, would be consistent with this idea of democratising the economy, and specifically wealth management and investment in Australia. This would represent a further step along the progressive economic policy continuum. Richard Denniss has called for this reform direction, pointing out that ‘Australians have collectively amassed more than \$2 trillion in our superannuation funds [which is] enough to buy all of the shares in all of the companies listed on the Australian Securities Exchange’ and yet ‘12 million Australians hand over nearly a tenth of their pay packet to a super fund and get absolutely no say over who the trustees of that fund are, or what their priorities should be’<sup>37</sup>. Incidentally, greater member say over the management of our wealth would likely lead to criteria supporting local and socially oriented investment, boosting the fourth pillar of making financial power work for local places discussed above.

<sup>32</sup>See <https://employeeownership.co.uk/what-is-employee-ownership/employee-ownership-benefits/>

<sup>33</sup>See <https://bccm.coop/wp/wp-content/uploads/2019/11/BCCM-2019-NME-Report.pdf>

<sup>34</sup>See [http://www.voteleavetakecontrol.org/briefing\\_control.html](http://www.voteleavetakecontrol.org/briefing_control.html)

<sup>35</sup>See <https://blogs.lse.ac.uk/politicsandpolicy/local-democracy-with-attitude-the-preston-model/>

<sup>36</sup>SGS has gained this accreditation, see <https://www.bcorporation.com.au/>

<sup>37</sup>See <https://www.themonthly.com.au/issue/2020/april/1585659600/richard-denniss/super-heroes-or-super-villains>

### 3.4 Evaluation and performance monitoring

An ongoing challenge for CWB is quantifying impacts. Sceptics will inevitably question the bona fides of any claimed economic successes or outcomes, so it is important that robust evaluation frameworks are established prior to policies and related initiatives being implemented. This is as it should be for effective policy making.

This requires the establishment of clear objectives for policies, an understanding of potential costs and anticipated benefits and the establishment of business as usual baselines before policy initiatives are implemented. For CWB initiatives baseline indicators should include the identification of business as usual trends across the spending of anchors and the locally captured share, as well as anticipated employment and social engagement outcomes for disadvantaged communities.

Already work is becoming more sophisticated in this area, with CLES and partners such as Matthew Baqueriza-Jackson establishing extended indicator frameworks related to the local spend and supplier analysis. This is particularly necessary as the CWB work extends into achieving social value outcomes, beyond achieving a simple increase in local expenditure capture.

For example, Lancashire County Council established a Social Value Procurement Framework in early 2016,

[Its] objectives include promoting local training and employment opportunities to tackle unemployment, raising local residents' living standards (e.g. through paying the living wage and supporting employees with childcare), supporting voluntary and community groups, reducing inequality and poverty, and promoting environmental sustainability (e.g. by cutting energy use and using materials from sustainable sources).<sup>38</sup>

Establishing baseline indicators for these items and being able to report progress and positive outcomes related to policy initiatives will be critical to effective performance evaluation and for the wider promotion and acceptability of CWB initiatives.

<sup>38</sup>See <https://thenextsystem.org/the-preston-model>



# 04 Applying Community Wealth Building in Australia

## 4.1 Is CWB relevant to Australia?

CWB has found currency in Britain and parts of the USA where entrenched disadvantage and economic disempowerment has taken hold. In Britain's regions the catalogue of economic hits includes:

- waves of economic restructuring affecting Britain's industrial base and its decentralised population and settlements, creating vulnerable communities in midland and northern cities and regions, and parts of Wales and Scotland
- a bumpy economic performance, including deep recessions such as that following the 2008 financial crisis
- Central government austerity measures following 2008 which slashed funding to local council services and communities (also revealing the highly centralised nature of revenue raising and financial allocations, and the flipside of insufficient local financial and democratic autonomy)
- longer and deeper experiments in economic extraction stemming back to the Thatcher era with private ownership, financing and/or franchising of public sector utilities widespread (extending to, for example, water utilities, public transport, national railways and deep into the prison and defence sectors); these reforms have cumulatively taken wealth out of the public realm and into private hands.
- economic uncertainty related to Brexit, with particular worries over the spatial economic impacts of Brexit, given that many of the UK's most deprived localities (e.g. Wales and the North East) were somewhat dependent on EU funding.

A similar story could be identified in the USA where so many industrial towns or agricultural regions have experienced economic declines, with compounding flight and disinvestment by the public sector.

Until now, and the current COVID 19 related downturn, it could be argued that Australia has avoided the worst of this type of economic turbulence and related uneven development outcomes, given its strong economic performance based on the mining sector in some regional areas and its few large cities benefitting from their population growth and concentrations of high value business services. Furthermore, Australia's federal system of distributed power and relatively strong public finances, may have enabled the country to 'smooth' uneven economic impacts somewhat.

However, the gaps in economic performance and wealth accumulation across the country, between cities and regions and between central cities and suburbs are widening.<sup>39</sup> Many regions are realising that waiting for external economic injections and investment won't be sufficient to support community well-being and a sense of economic self-worth. Prosperity has not been shared. For many regions the 2019-20 summer bushfires, not to mention the hit to tourism and the economy in general from the COVID 19 restrictions, will compound the problem, leaving already vulnerable economies with severely uncertain futures.

<sup>39</sup>See <https://alga.asn.au/state-of-the-regions-report-2018-19-trade-jobs-growth-and-inequality/> and also commentary on the impact of housing and asset price inflation on increasing regional wealth disparities in NSW and Victoria in <http://www.roymorgan.com/findings/7733-wealth-inequality-in-australia-is-getting-worse-201809210554>

## 4.2 Directions for CWB in Australia

A recent article by Osmond Chiu in the Canberra Times – published just prior to the bushfires and the COVID 19 crisis- noted the political impact of ‘economically insecure, low-income voters in outer-metropolitan, provincial and rural Australia’ at the May 2019 federal election and highlighted how CWB applied in Australia could provide ‘a framework to develop workable solutions that tries to keep money in local communities’.<sup>40</sup>

As the Chiu article points out many jurisdictions and communities are already pursuing ‘bottom up’ initiatives, consistent with the import replacement perspective in the model of the regional economy discussed earlier.

For example, the Gold Coast has a "buy local" procurement policy, the Victorian government has a social procurement framework, and Renew Newcastle's approach of enabling pop-ups in empty, underutilised spaces is producing a \$14 return on every \$4 invested in the project.

In addition to the initiatives identified by Chiu the Victorian Government is funding the GROW program (until 2021) in Geelong and the La Trobe Valley and has recently launched in Ballarat, Shepparton and Bendigo. In Bendigo the website for the program uses the language of CWB as follows:

‘GROW Bendigo is about creating new jobs, by asking organisations to support social/local procurement, and impact investment through electing to buy goods and services that contribute economically and socially to our local community and injecting capital into businesses and non-for-profit enterprises to target communities.’<sup>41</sup>

Growth in the Australian co-operative sector and its ‘sticky money’ value to local economies is being promoted by the Business Council of Co-operatives and Mutuals (BCCM)<sup>42</sup>. From successful established businesses (for example, the Barossa Community Co-operative Store which is the largest and longest standing consumer co-operative in Australia<sup>43</sup>) to ‘next generation’ innovations (such as the Bendigo based bHive which is a digital platform that will allow people to create, own and run sharing enterprises, providing access to shared local goods and services<sup>44</sup>) Australian co-operatives are carving out a place in the economic landscape.

What is typically missing in Australian practice to date is a comprehensive and integrated view of possible actions across all five pillars promoted by CLES. Some current initiatives are, it has to be said (and in SGS's experience), somewhat tokenistic ‘tick box’ exercises and can lead to perverse outcomes (for example, encouraging empty corner office sub-letting by outside firms to satisfy ‘buy local’ requirements). Finding and building the links and connections across the five pillars, and deepening the relationships between local economic stakeholders, multiplies the potential impact of CWB. This type of ‘joined up’ thinking is now being discussed on a much grander scale for the project of economic reconstruction post COVID 19, with Mariana Mazzucato advocating for corporate and business assistance being conditional ‘on value creation instead of value extraction, preventing share buybacks and encouraging investment in sustainable growth and a reduced carbon footprint’.<sup>45</sup>

However, for CWB a comprehensive approach need not be dogmatic or absolutist; each locale, city or region will have a different capacity or ability to implement aspects of the five pillars. Existing activities would be acknowledged but positioned within the broader agenda, with additional and complementary initiatives identified where possible.

<sup>40</sup>See <https://www.canberratimes.com.au/story/6521779/community-wealth-building-offers-a-way-forward-for-progressives/>

<sup>41</sup>See <https://bebendigo.com.au/growbendigo/>

<sup>42</sup>The success of the long standing Barossa Co-op and its role in creating value for the local economy through its network of members across capital inputs, business processes and retailing activities is highlighted in this BCCM report [https://bccm.coop/wp-content/uploads/2014/12/Sticky-Money-Report\\_EY-2014.pdf](https://bccm.coop/wp-content/uploads/2014/12/Sticky-Money-Report_EY-2014.pdf)

<sup>43</sup>See <https://barossa.coop/>

<sup>44</sup>See <https://bhive.coop/>

<sup>45</sup>See <https://www.project-syndicate.org/commentary/covid19-crises-of-capitalism-new-state-role-by-mariana-mazzucato-2020-03>



While Preston is notable for the way six anchor institutions reviewed and redirected their spending, and built a local procurement network, initial but significant steps can be undertaken unilaterally by local councils or other anchors to implement CWB practices before they are adopted more broadly. The initiatives are likely to have particular power in non-metropolitan regions, where the rationale of supporting local businesses and deepening local employment opportunities will be instantly understood and supported. However, even in the cities and suburbs the idea of bottom up development and sustaining a competitive local small business sector makes instant sense.

The Chiu article summarises some possibilities in Australia as follows:

An antipodean version of community wealth building could see anchor institutions such as universities, local councils, hospitals, TAFEs, ports, airports, and state and federal agencies act in a similar fashion. They could focus on procuring locally to encourage local small and medium enterprises, ensure that decent wages are paid to both internal and externally contracted workers, and even provide space and resources to co-operatives or local start-ups.

For the Commonwealth government, it would mean reversing the outsourcing of work done by Services Australia or the Australian Taxation Office to call centres that are run by

multinational companies who artificially reduce profits and pay less [for labour than fast food chains].

It would mean keeping public sector work in-house (particularly in regional areas), where workers have secure jobs and are paid good wages, and redesigning procurement processes to enable local businesses to win contracts. Additionally, by directly investing in the public service, the wages that public service workers receive would be spent in local businesses, creating even more job opportunities.

Ultimately CWB can and should be more than just a boutique local economic development initiative. It can be adopted widely in Australia, and across the partisan divide, by local, state and federal governments, to support not only a fairer but also more competitive economy.

The destructive bushfires and COVID-19 induced economic devastation have supercharged the importance of new thinking in relation to local economic development and provide the opportunity for a unique Australian approach to CWB in regional towns and communities, and in our cities. The economic reset and rebuilding investments should draw on CWB principles to ensure the benefits of expenditure are long lasting, and embed community economic resilience, democratic economic development and environmental repair as the legacy for regional and local communities.

### 4.3 Additional complementary initiatives

The five pillars of CWB are part of an agenda for a fairer, more open economy which sustains local and plural business development and supports disadvantaged or marginalised individuals and communities. CLES do a whole range of policy development work which is also about community justice with these aims in mind.

SGS is also promoting related initiatives which might be considered essential to successful CWB in the Australian context and which push along the progressive economic policy continuum. Complementary ideas and initiatives include the following.

#### The idea of a community infrastructure guarantee

This is the opposite of what occurred in the UK with austerity. It says that minimum baselines of services and infrastructure are required for a community to thrive. Investment guarantees would ensure the basic provision of, for example, pre-schools and primary schools, technical and vocational training, recreation facilities, parks and open space, neighbourhood centres, libraries, senior citizens services and centres, community health facilities, and crisis, transitional and affordable housing.

This approach acknowledges that the local economy is incomplete or can't function effectively without recognising that the 'community' – the human capital and its bonds and supports – requires support and nourishment. The community itself is productive economic infrastructure which needs constant investment and renewal (this is at the heart of the ideas in the influential book *The Third Pillar: How Markets and the State Leave the Community Behind* by Raghuram Rajan<sup>46</sup>). Much more thinking is required to identify what the baselines in any particular community could or should be but broad participation in the local economy – as envisaged by CWB- will be much more likely where basic but critical community infrastructure minimums are in place.

### Effective devolution of responsibility for social, environmental and economic policy and implementation

Decisions made remote from communities about fundamental and contemporary public policy matters such as education, skills development and training, infrastructure investment, small business support, health prevention and the promotion of wellbeing, and decarbonisation risk being wasteful and inefficient. As much as possible decisions on such matters should reside with the level of democratic authority best placed to make them, within the broader frame of objectives that might be set by higher levels of government.

CLES are significant advocates for meaningful devolution in the UK context<sup>47</sup> but in Australia, while SGS has long been an advocate for the establishment of democratically legitimate metropolitan authorities<sup>48</sup>, there has been less attention given to significant devolution of resources and policy decisions to non-metropolitan regions. CWB initiatives would be significantly strengthened if, for example, education and training programs were able to be delivered in a truly bespoke fashion and tailored to the needs of regional communities where different technical skills to those required in the city are particularly required. Devolution of public policy making goes 'hand in hand' with CWB.

Consistent with CWB principles and devolving power and decision making, local economic development strategies should be 'co-designed' with communities. This implies that local business leaders, local council and anchor institution staff and local community members should develop and own economic development initiatives because they are best placed to identify the resources and strategies, make the connections within networks or be the 'champions' of initiatives. 'Top-down' economic development strategies only have utility as a framework for action – rather than being able to drive the action- because they inevitably lack the community ownership and leadership that is required for enduring change.

<sup>46</sup>See <https://www.penguinrandomhouse.com/books/566369/the-third-pillar-by-raghuram-rajan/>

<sup>47</sup>See <https://cles.org.uk/publications/cles-on-devolution/>

<sup>48</sup>See for example, <https://www.sgsep.com.au/publications/insights/governing-the-growing-metropolis-melbourne> and <https://www.sgsep.com.au/publications/whats-new/sgs-contributes-to-important-new-book-on-metropolitan-governance>

### Community ownership of development rights

Another key reform to support community economic development in the Australian context would be to vest ownership of land development rights with the community, thereby generating an additional source of value for investing in worthy projects for local socially beneficial outcomes.

When additional development rights are assigned to a particular piece of land through the planning process, by rezoning or granting development approval to allow for a higher value or more intensive use, its value will typically rise. The granting of these additional development rights, and access to them for the landowner, is entirely a matter of public decision resolved on town planning merits. Through the creation of town planning controls, development rights are reserved by the State. In this sense, they are analogous to other resources which are attached to real estate but are not owned by the land titleholder, for example, minerals which may lay below the surface or the water that falls onto the land from the sky. Like these other publicly reserved resources, the State is, in principle, entitled to charge a fee for access to development rights, but where it doesn't the value of the rights defaults to the landowner creating a windfall when favourable planning approvals are achieved. Where these rights are vested in the community their value is retained or available for investment in local community infrastructure or economic development (new parks, public art, culture, affordable housing and so on).

For the most part in Australia, there is no applicable development rights 'access fee' required at rezoning or planning approval stages. The UK has long had a system of 'section 106' agreements based on 'planning gain' which require beneficial works or infrastructure to be provided by developers, in recognition of the uplift in land value caused by planning approvals. This system relies on negotiation and does not explicitly calculate the increase in land value from approvals (generally undervaluing this) and contains many uncertainties<sup>49</sup>, but it does enshrine the concept of the value of development rights and sharing this for community benefits. The UK system has been adjusted by the introduction of an additional Community Infrastructure Levy which 'is intended to be fairer, faster and more certain and transparent than the current system of planning obligations' with rates 'intended to be set in consultation with local communities and developers'<sup>50</sup>.

Explicitly vesting ownership of development rights in the state not only removes the incentive for potentially corrupt granting of development approvals, with associated windfall gains for landowners, but also enables the value of development rights associated with decisions made on planning merit to be realised for investment in beneficial community projects, supporting the CWB agenda.

SGS has written extensively on the need for reforms to vest ownership of land development rights in the state and realise their value for community benefits.<sup>51</sup>

<sup>49</sup>This dated report (2007) discusses reform of the system in the UK and the idea of a Planning Gain Supplement to better recognize the actual value of the change in land value from planning approvals <https://publications.parliament.uk/pa/cm200506/cmselect/cmcomloc/1024/1024i.pdf>

<sup>50</sup>These quotes are from <https://www.cchpr.landecon.cam.ac.uk/Research/Start-Year/2012/Developing-a-Planning-Gain-Model/S106-Community-Infrastructure-Levy-Report/Report>

<sup>51</sup>See for example, [https://www.infrastructureaustralia.gov.au/sites/default/files/2019-06/sgs\\_technical\\_paper\\_on\\_value\\_capture-september\\_2016.pdf](https://www.infrastructureaustralia.gov.au/sites/default/files/2019-06/sgs_technical_paper_on_value_capture-september_2016.pdf), <https://www.sgsep.com.au/assets/main/SGS-Economics-and-Planning-Development-contributions-for-affordable-housing.pdf>, <https://www.sgsep.com.au/publications/insights/who-owns-the-development-rights-in-our-cities>, and <https://www.sgsep.com.au/publications/insights/the-corruption-honey-pot-an-economic-fix-for-planning-scandals>



# 05 Conclusion

The deep interventions of the state to prop-up the economy during the COVID 19 crisis – for example, to support businesses, increase welfare payments, subsidise wages, provide free child-care and protect tenants – although introduced in extraordinary circumstances, have highlighted how old neo-liberal economic policy norms can be readily set aside and how a new platform has been established.<sup>52</sup> In this context, adopting the CWB principles and policy agenda might seem to represent modest ambition but its local, inclusive and community focus is critical, and provides the point of difference which will be required in post-COVID 19 economic policy responses, both small and large. CWB is part of a positive agenda to remake economies that ‘work’ for local communities and the local environment.

While CWB can be positioned within the broader agenda of progressive economic reform (embodied in the scope for example of the New Green Deal agenda) its elements can also be integrated into mainstream economic development paradigms as a way of factoring in external costs and benefits into market based transactions. For example, local procurement can be substituted for imported procurement because it can be shown that non-financial benefits (skills development, social cohesion etc) outweigh any marginal financial cost. This is not necessarily challenging ‘the market’, but simply making it better, producing enhanced economic outcomes by applying regular market economics.

Many jurisdictions in Australia have already adopted or are implementing elements of the CWB agenda. A notable advance is the value creation and social procurement policy development in Victoria<sup>53</sup> but these, like many of the Australian initiatives, are tentative and underdeveloped, and not yet embedded as a fundamental reform. Mandating progressive procurement and setting targets or integrating well-being measurement for effective value creation in business cases is a long way from being standard practice at local, state or federal government level.

Ultimately CWB and related initiatives discussed above, such as guaranteeing minimum standards for community infrastructure and services in recognition of the essential role of functioning communities in successful economic development, increased devolution of policy making powers and responsibilities to local communities, and vesting ownership of land development rights with the community as a source of value to fund investment in beneficial community infrastructure, are practical measures to achieve fairer, more environmentally sustainable and more democratic economic development. The COVID 19 related economic downturn simply reinforce the need for more widespread adoption of such measures.

<sup>52</sup>This short article by Mike Berry makes the point that a ‘snap-back’ to old policy settings is unlikely and that ‘genuine strategic economic planning is required that will also deal with our pressing national problems of population and climate change’, see <https://www.mikeberrypwriting.com/mike-berry-blog/2020/4/10/the-strange-death-of-neoliberalism>

<sup>53</sup>See <https://www.vic.gov.au/value-creation-and-capture-framework> and <https://www.buyingfor.vic.gov.au/social-procurement-document-library>

While calls for a radical economic re-shaping are intensifying, ‘baby-steps’, in relation to CWB at least, are also possible and desirable. Every jurisdiction should be asking the question about the extent to which the expenditure of anchor institutions is socially responsible and beneficial in addressing local community development. Who currently benefits from such expenditure? Is it helping in addressing disadvantage? Does it support small businesses employing local people? Is it supporting environmentally sustainable practices? Councils and anchor institutions can take unilateral action to ask and address these questions in support of local economic development, without waiting for state or federal governments to lead.

For many communities, the ‘business as usual’ economic development option will no longer be tenable. The wait for external investment and new export activity to achieve economic salvation and address economic disadvantage may be a long one. The time, and opportunity, for wider adoption and application of CWB in Australia – particularly given the need to rebuild after the 2019-20 bushfires and COVID 19 related economic impacts- has come.





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