

Shared power, shared prosperity

How Scotland's Shared Prosperity Fund could include a significant role for community-led economic development

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1. Introduction

In 2017 the UK government said it would replace EU Structural and Investment Funds with a new Shared Prosperity Fund (SPF). The SPF could be a powerful tool for driving inclusive growth in Scotland. For this to happen, Scottish Government will need to use the SPF in a way that empowers the intended beneficiaries: economically disadvantaged people living in deprived places.

The evidence shows that unless the intended beneficiaries are empowered as active partners in inclusive economic strategies, they are unlikely to actually benefit in transformative ways.^{1 2} This is because all inclusive economic strategies must work with the grain of markets and private interests, starting from significant inequalities in opportunity, influence and resources. If people on low incomes (economically active or otherwise) in deprived places are not full partners in the design and delivery of local inclusive economic strategies, it will be all too easy for their priorities and aspirations to be marginalised and ignored.

At the same time, there is encouraging evidence that with the right support, communities have the potential to be incubators and platforms for inclusive wealth creation in otherwise challenging circumstances. And community can also be a means through which people gain much needed agency, ownership and control in the economy.^{3 4 5}

Thus we are greatly encouraged that in its *'Report on Funding of European Union Structural Fund priorities in Scotland, post-Brexit'*, the Finance and Constitution Committee of the Scottish Parliament highlighted the positive evidence it received on the 'community-led local development' (CLLD) model, and recommended that Scottish Government learns from the this approach to balancing national and local priorities.⁶

The Finance and Constitution Committee's report creates a supportive context for us to make the following proposal to policymakers in Scotland.

2. Our proposal: community-led economic development

Scottish Government should consider earmarking around 20 percent of the SPF for a process known internationally as community-led economic development (CED), prioritizing the participation of communities in the most deprived parts of Scotland.

CED is a process through which people living, working and running businesses in an area work together through a community partnership to effect change in the economy, so that it better supports their shared aspirations in terms of opportunities, livelihoods, enterprise, local resources, markets and wealth flows. It often involves broadening ownership and control of assets and enterprise in a place, which is where co-ops have a particularly practical function.⁷

CED is a long-term transformation that involves grassroots organising, capability building, public and private investment, enterprise and a significant devolution of power to community-led partnerships (called here 'CED Partnerships'). The CED cycle involves: CED Partnership formation; profiling the local economy; building CED Partnership capabilities; co-producing a

CED Plan; sourcing money, technical assistance and partners to implement the CED Plan; implementation; monitoring and evaluation. CED Partnerships require constant *facilitative* support across the cycle.

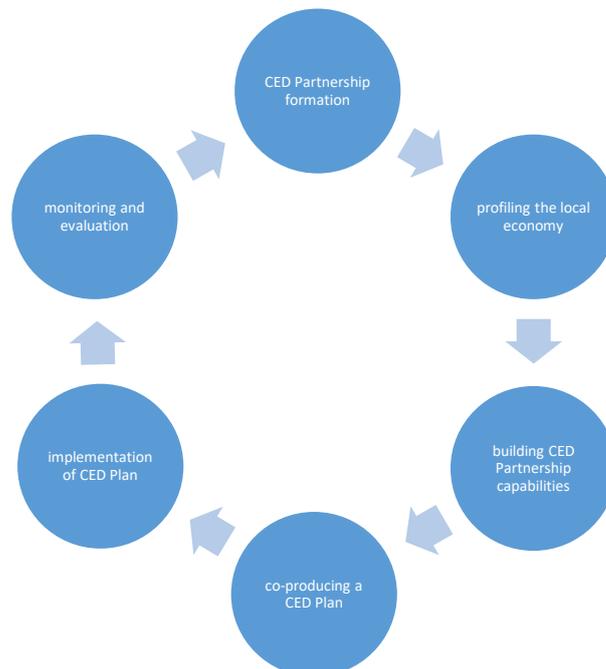


Figure 1 The CED Cycle

Through CED, people in deprived neighborhoods can mobilise the power of their communities to:

- Improve the economic base in their neighborhoods
- Influence the development of the local and regional economy so that it works better for them
- Access and create opportunities for better livelihoods in their travel to work area
- Strengthen the community infrastructure in their neighborhoods
- Assert some control over the evolution of their neighborhoods

Critically, CED can play a significant role in helping policymakers to overcome the following challenges:

- **Information challenge:** Communities in deprived neighborhoods are stores of extremely valuable information that, through CED, can enrich the evidence-base for inclusive economic programmes.
- **Legitimacy and efficacy challenges:** CED can engender the trust, participation, take-up and endeavor of people in deprived communities. CED empowers people in deprived communities to effect the change that local leaders cannot.
- **Market challenge:** People acting together, through community and forms of economic co-operation, can give themselves more power and agency in markets and supply chains. CED is the means by which people act together to ‘reset’ aspects of market reality in their favour.



3. Putting CED into the context of Industrial Strategy

The UK government has said that the SPF will be used to strengthen the five foundations of productivity: ideas, people, infrastructure, business environment and place. So, what does the CED approach to inclusive economic strategy look like through this lens?

The table below provides illustrative examples to answer this question. But we must caution that every person, place and community have their own unique challenges, opportunities and aspirations, so these examples are for illustrative purposes only, not for detailed programme design.

UK Industrial Strategy Five Foundations	Common challenges	CED solutions
<p>People (on low incomes, often living in areas of concentrated deprivation)</p>	<ul style="list-style-type: none"> • skills and experience mismatched with the limited opportunities available in their travel to work area • limited travel to work area • alienation • negligible savings or assets • wellbeing issues • caring responsibilities 	<ul style="list-style-type: none"> • Community building, with CED as a key catalyst for participation and a source of funding and support (e.g. community organising; Big Local; Empowering Places) • Skills and labour market support tailored to local needs and aspirations, and to local opportunities and challenges, co-designed with and mediated through strong, empowered communities / community organizations (e.g. programmes supported by the Working Neighborhoods Fund) • CED Partnerships shaping city / region initiatives to increase the supply of decent work in their travel to work area, including by bringing employers and local communities together to create inclusive recruitment pathways (e.g. The Wisconsin Regional Training Partnership)
<p>Business environment (in areas of concentrated deprivation and the travel to work areas of the people who live there)</p>	<ul style="list-style-type: none"> • limited commercial opportunities, especially of the sort that can generate competitive ROI • under-supply of appropriately skilled people (see People) • lack of infrastructure for business (see Infrastructure) • negligible capital for start-up and growth • business knowledge and knowhow inaccessible / unavailable 	<ul style="list-style-type: none"> • Business support focused on 'home growing' locally owned, resilient and local wealth building businesses that provide decent livelihoods and meet local needs such as worker co-ops, small businesses and community businesses (e.g. Preston Community Wealth Building; Local Enterprise Growth Initiative) • Support for business-to-business co-operation that strengthens local businesses in markets and supply chains (e.g. Eastbourne Fishermens' CIC; Regather Sheffield) • Development of city/region-wide CED finance intermediaries, combining public funds (including SPF and dormant assets), community investment (including community shares) and local savings (community ISAs) (e.g. Headingly Development Trust; BCRS Business Loans) • CED Partnerships participating in initiatives to strengthen local supply chains within the city/region, so that opportunity and wealth creation can be transmitted from star businesses and sectors, and public sector anchors, to other parts of the local economy (e.g. Preston Community Wealth Building)

<p>Infrastructure (in areas of concentrated deprivation and the travel to work areas of the people who live there)</p>	<ul style="list-style-type: none"> • Lack of fit for purpose business sites • Lack of accessible, fit for purpose digital infrastructure • Inadequate public transport links • Lack of fit for purpose community assets • Limited housing options that meet need and aspirations, or that provide a springboard for a better life 	<ul style="list-style-type: none"> • Development of business sites informed by CED Plan, mobilising community, often involving community ownership (e.g. Portland Works, Sheffield) • Developing and restoring assets of community value, often via community ownership (e.g. Govanhill Baths) • Support for business-to-business co-operation to co-invest in productivity enhancing inputs/infrastructure (e.g. Tameside Digital Infrastructure Co-op) • CED Partnerships participating in city/region decisions on local transport to ensure needs identified in CED Plans are met • Co-operative and community housing initiatives such as community land trusts, social and private housing co-ops, mutual home ownership societies (e.g. Leeds Community Homes)
<p>Ideas (in local businesses and business community)</p>	<ul style="list-style-type: none"> • Poor leadership and management in local businesses • Under-investment in people • Under-diffusion of productivity-enhancing innovations, systems, practices, strategies and technologies 	<ul style="list-style-type: none"> • CED Partnerships helping to create networks for innovation diffusion among local businesses and organizations • Support for business-to-business co-operation to co-invest in productivity enhancements (e.g. Berry Gardens Co-operative)
<p>Place (neighbourhoods that record high levels of deprivation)</p>	<ul style="list-style-type: none"> • Disconnected from local wealth creation • 'Leaky' local wealth flows • Unattractive for siting businesses that can grow local wealth • Deteriorated public realm • Lack of infrastructure for business and community 	<ul style="list-style-type: none"> • CED uses place as the key context within which to mobilise communities (people), who have the latent power to strengthen the other three foundations (ideas, infrastructure and business environment) • CED makes place, and the people who live there, the key focus; other foundations (ideas, infrastructure and business environment) are addressed through this lens of people, in their specific economic geographies

4. Practical examples of CED activity

CED approaches are spreading across the UK but at present this activity can best be characterized as piloting and action research. Most programmes are rather limited in terms of funding and tend to be constrained by a lack of support within the wider political economies within which they operate. Nevertheless, these programmes are essential in demonstrating to policymakers how CED can operate in practice and what is possible.

Current ongoing examples include:

- **Community Led Local Development:** This is a CED approach to deploying the Scottish Rural Development Programme. It is a bottom-up method of delivering support to communities for rural development. Grants are awarded by Local Action Groups to projects that support delivery of a Local Development Strategy. The aim is to increase support to local rural community and business networks to build knowledge and skills, and encourage innovation and co-operation in order to tackle local development objectives.

- **Scotland's Improvement Districts:** Scottish Government is supporting traditional 'Business Improvement Districts' to evolve into more innovative, flexible and holistic partnerships of local businesses, community groups and anchor institutions, to deliver the ambitions of local businesses and communities.
- **Empowering Places:** Managed by Co-operatives UK and funded by Power to Change, this programme provides funding and resources to seven community-based 'catalysts' over five years to develop community business with the aim of boosting local economies, working in some of the most deprived neighborhoods in England.

Furthermore, between 2015 and 2017 the UK government funded a CED action research programme that provided a blend of grant and technical support to 71 communities across England, to help them produce a well-supported, dynamic and deliverable local economic plan. This action research has deepened understanding of how communities can engage with and start to resolve their own economic issues.⁸

5. Designing CED into Scotland's Shared Prosperity Fund

The design and implementation of CED programmes in Scotland can build on existing practice, most notably the use of Community Led Local Development (CLLD) in the deployment of the Scottish Rural Development Programme, and the emerging Improvement Districts model. In many regards, what we are advocating here is the continuation of CLLD in rural Scotland, while also adapting the model for urban use.

As every person, place and community have their own unique challenges, opportunities and aspirations, great care should be taken not to be overly prescriptive about how CED Partnerships operate and what they invest in. But Scottish Government will need to set rules for the 'quality control' of CED Partnerships and their CED Plans.

Scottish Government should set criteria for recognizing CED Partnerships. CED Partnerships should be constituted of community organizations and active residents, local businesses and, in a *facilitative* role, local authorities. The exact construction of CED Partnerships should be allowed to vary somewhat from place to place but the CLLD model provides a useful blueprint.

Funding for CED Partnerships will need to be patient, flexible, low burden and provided on long-term cycles. In the first instance it should be held by Scottish Government in a ring-fenced pot, to be distributed in two tranches. The first tranche should be seed funding to help establish and develop CED Partnerships and to assist with the development of a CED Plan. Recent action research and the ongoing Empowering Places programme will provide invaluable lessons for how much seed funding is required and over what time scales. Certainly, communities should be given no less than £5,000 and two years to establish their CED Partnerships and agree their first CED Plans.⁹

Then, once a CED Plan is agreed between the CED partnership, Scottish Government and local government, the much larger second tranche should be released to fund its implementation. CED Plans should meet certain conditions in terms of quality, not least in how they complement other local economic strategies. CED Partnerships should be encouraged to leverage other spending in their area, including other SPF money, where this can help implement their CED Plans. They should also seek to augment the SPF with private and community investment. In some places, it will be possible to release the second tranche more quickly than in others. Communities should be afforded *at least* five years to implement their first CED Plans.

Once up and running, CED Partnerships should be given a powerful role in holding local and national economic policymakers to account and in informing the future development and

implementation of economic strategy at national, regional and local level.

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