

Report for: Cabinet, 8 October 2019

Title: **Community Wealth Building Approach**

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Ward(s) affected: All

**Report for Key/
Non Key Decision:** Key Decision

1. Describe the issue under consideration

- 1.1 Community Wealth Building (CWB) is an approach to economic development. It aims to create prosperity for all by focusing on who is benefiting from wealth creation; building an economy which is rooted in the local place; and working with anchor organisations to agree collective action.
- 1.2 This report sets out Haringey's Community Wealth Building approach (CWB), including:
 - 1.2.1 What CWB means in Haringey and why it is relevant; and
 - 1.2.2 Key actions to implement CWB over the next year.

2. Cabinet Member Introduction

- 2.1. Community wealth building is fundamentally about equality and fairness. It is about using the council's direct powers and working with partner organisations to promote resilience and wealth – both financial and social – in our families and communities.
- 2.2. Haringey has a high proportion of residents living below the poverty line (34%). This is evidence that our economy is not working - especially for our poorest families and communities. Community Wealth Building offers an alternative approach which directly seeks to address the fairness in our economic system and wider society.
- 2.3. Firstly, it puts a greater emphasis on the levers the Council has within its own control. Procurement spend is the obvious starting place for this work. As a Council we are already leading the way in getting Small and Medium Sized

Enterprises into our procurements. We will continue to build on this and emphasise Social Value within our procurements. This is about maximising the public good from every pound the Council spends.

- 2.4. Secondly, it reinforces and brings into sharper focus the question of who is benefiting from changes. For example, when looking at jobs in the borough, CWB focus on the quality of those jobs and who is getting them above and beyond the number of new jobs created.
- 2.5. Thirdly, it emphasises the need for partnership working with other anchor organisations who are invested in Haringey and our residents. Working together we can have a more significant impact. As Lead Member for Local Investment and Economic Growth, I will drive forward this work with partners and look forward to having early conversations on how we can work together.
- 2.6. Community Wealth Building is an approach. Preston, the area in the UK which has fully embraced this approach, has seen tangible benefits over the last 10 years. Many of our neighbouring boroughs are actively developing their CWB approaches, which offers us a clear opportunity to work in partnership to improve the economic and social wealth of residents.

3. Recommendations

3.1. That Cabinet:

3.1.1. Approve Haringey's approach to and definition of Community Wealth Building, i.e.

- Using all the Council's available levers, to make sure that every public pound delivers maximum public good and wherever possible builds the prosperity of local people and businesses as it travels through the local economy;
- Employing these levers to support and enrich Haringey's residents and communities, economically, through employment, and socially, with an emphasis on those who are struggling;
- Residents having more of a stake in public services and the Haringey economy;
- Working with partners, i.e. other public bodies, businesses and voluntary organisations, to embed a Community Wealth Building approach across the borough.

3.1.2. Agree key areas of implementation over the next year:

- focusing on five key priority areas – Procurement, Economic Development Strategy, Insourcing, Workforce Strategy and Asset Management;
- developing an approach to anchor organisations; and
- embedding the CWB approach throughout the Council.

4. Reasons for decision

- 4.1. Community Wealth Building has been identified within the Borough Plan as a strategic priority for the Council because a different approach to economic development is needed to help achieve better outcomes for those who are most disadvantaged, and to create a better and more equal borough.
- 4.2. This decision will mark the launch of this work. A clear definition is needed of what is meant by Community Wealth Building in Haringey so that work can be prioritised and progress can be assessed, and to use as an expression of the Council's values that can serve as a call to action for local organisations, institutions and businesses that share the Council's values.

5. Alternative options considered

- 5.1. Do nothing – This is not considered to be a viable option given the commitment already made to Community Wealth Building in the Borough Plan, and the need to further define and then implement this approach.

6. Background information

6.1. Why does Haringey need a new approach to local economic development?

- 6.1.1. The UK economy has been growing over the last 70 years. Conventional economic theory suggests that this growth should enhance everyone's prosperity. However, in reality, this growth has not benefitted everyone evenly: nationally, the rich have become proportionately richer, resulting in increased income inequalities.
- 6.1.2. While this is a national trend, the impact on Haringey is clear. More than a third of Haringey's residents (34%) live below the poverty line. The borough's economy is characterised by low wage, low skilled and often insecure employment; there is a high percentage of households with incomes below London Living Wage (estimated at 19%); and, labour market disadvantage is more heavily concentrated amongst specific groups of residents.
- 6.1.3. In addition, the 2008 financial crash demonstrated how susceptible local areas are to wider regional, national and international events.
- 6.1.4. CWB tests an alternative approach to economic development, by seeking to grow local economies which have broader and more embedded roots into their local areas, are less reliant on external investment, and so are less exposed to some of the uncertainty associated with this.

6.2. What does Community Wealth Building mean and why is it relevant?

- 6.2.1. A leading UK organisation on this approach, the Centre for Local Economic Strategies (CLES) uses the term local wealth building and defines it as follows

- ‘Local wealth building aims to reorganise the local economy to put control back into the hands of the local communities, so that wealth is broadly held, with local roots and where benefits are recirculated. The local wealth building movement seeks to provide resilience where there is risk, local economic security where there is precarity, and to ensure opportunity, dignity and well-being for all.’

- 6.2.2. CLES views CWB as an alternative economic model to the trickledown economy. It has a greater focus on who benefits from wealth, with the aim of generating wealth locally, which is not extractive, is socially purposeful and environmentally considerate.
- 6.2.3. Preston was one of the first councils to explicitly pursue a CWB approach in 2011. Preston was named as the most improved city in the UK in the PwC/Demos 2018 Good Growth for Cities Index, which seeks to measure success for cities beyond increases in GDP. Several other Local Authorities, including Islington and Newham, are taking forward CWB. Manchester City Council has worked for over 10 years on transforming the approach to procurement to focus on building local community wealth. While much of this work started during - and in some cases - as a direct response to economic recession, this approach can be applied irrespective of the state of the economy.
- 6.2.4. Each of these areas have interpreted CWB slightly differently and have included a wide range of work under this banner (Annex A provides further details). However, these approaches all share the objective of generating local wealth which benefits disadvantaged communities, by employing the following levers:
 - 6.2.4.1. Procurement spend – this is typically the first area of focus, with the ultimate goal to redirect more public spend towards locally rooted organisations and maximising the public good from this spend through increased emphasis on Social Value (which incorporates economic, social and environmental value). For example, Preston is now spending £4 million more in the city as a result of re-directing its procurement spend and doubling the proportion going to businesses based in Preston, from 14% in 2012 to 28% in 2016.
 - 6.2.4.2. Economic development – this is a more deliberate approach to economic development which focuses on the Council’s direct levers to influence and supporting the development of a locally rooted economy for the benefit of disadvantaged communities. For example, placing a greater emphasis on supporting local business and focus on the quality of jobs not only the number of jobs being created.
 - 6.2.4.3. Anchor organisations – a core part of this work involves galvanising partners to take up this agenda, and to use their own levers to build community wealth. For example, creating a pledge

which anchor organisations can sign up to which sets out their approach to procurement spend outlined above.

6.3. Defining Community Wealth Building in Haringey

6.3.1. CWB can mean different things to different people. It is therefore important that a clear definition is agreed about what it means in Haringey, so that work areas can be prioritised, and progress can be assessed. It is recommended that the following definition is adopted, whereby in Haringey Community Wealth Building means:

- 6.3.1.1. Using all the Council's available levers, to make sure that every public pound delivers maximum public good and wherever possible builds the prosperity of local people and businesses as it travels through the local economy.
- 6.3.1.2. Employing these levers to support and enrich Haringey's residents and communities – economically, through employment, and socially - with an emphasis on those who are struggling.
- 6.3.1.3. Residents having more of a stake in public services and the Haringey economy.
- 6.3.1.4. Working with partners – other public bodies, businesses and voluntary organisations – to embed a community wealth building approach across the Borough.

6.3.2. Two key points to note on the definition:

- 6.3.2.1. Unlike Preston, Haringey is located in a major capital city, and is by no means a self-contained functional economic area. Haringey residents often work, study and/or receive services within another Local Authority area, and not always in London. Haringey also shares several key anchor organisations with other boroughs. While it is the Council's central priority to support the prosperity of people and businesses in Haringey, it is equally critical that this approach is not seen to be putting walls up around the borough. With that in mind, the Haringey approach to CWB will also support activity that takes a broader definition of 'local' where that supports wider local economic development to the potential benefit of Haringey's communities. Haringey will actively engage with nearby boroughs to deliver on this.
- 6.3.2.2. Approaches to CWB elsewhere have not typically included building social wealth. Social wealth is broadly defined along the same lines as social capital. It is about relationships, shared identity, trust, cooperation and reciprocity. This applies within communities, whether they be geographic, cultural or interest-based communities, and across different communities (bridging social capital). The inclusion of this recognises that social wealth

and financial wealth are often connected and both can have a direct impact on quality of life, including for example economic opportunities and health and wellbeing. It is therefore proposed that this is included in the definition and forms part of Haringey's CWB approach, to be further defined and refined in the second phase of this work.

6.3.3. In Haringey, as has happened elsewhere, the approach will develop and evolve over time. Given resources, it is recommended that the primary focus in the next year includes:

- 6.3.3.1. Five specific work areas - procurement, economic development insourcing, workforce development and asset management. It is recommended that these work areas have the most significant alignment to CWB;
- 6.3.3.2. Develop an anchor approach; and
- 6.3.3.3. Embedding the CWB approach throughout the Council.

6.3.4. Each of these are explained further below.

6.4. Procurement

6.4.1. Procurement has been the starting point for CWB in most of the places that have adopted this approach. Preston, Manchester, Islington and others all looked at this as one of the foundations of their CWB approaches. This is also where work with anchor organisations typically begins as there is a clear and specific ask. It aligns and contributes to Haringey's approach to CWB as follows:

- 6.4.1.1. Keeps more money recirculating in the local economy by awarding a higher percentage of contracts (by value) to local organisations, in particular small business, social enterprise, co-operatives and voluntary and community organisations. The assumption is these organisations are more likely to a) spend money with other local business and b) employ local people (who then spend this money locally).
- 6.4.1.2. Enhancing the use of Social Value can deliver maximum public good for every pound spent and can help support and enrich residents economically and socially. Social Value, includes economic, social and environmental value. For example, when commissioning a homecare service the contribution to economic priorities in terms of local employment opportunities and environmental factors, such as reducing travel by car, can all be considered when awarding the contract.

6.4.2. This approach is reflected in the Procurement Strategy also due to be considered by Cabinet at its October 2019 meeting.

6.5. Economic Development (including employability and skills)

6.5.1. CWB is fundamentally about a new economic development approach. Therefore, it is proposed that embedding this approach in a new Economic Development Strategy (due in early 2020) will be critical to implementation.

6.5.2. A CWB approach will be reflected in the strategy with the focus on developing a good local economy:

 6.5.2.1. Fairness – supporting residents who are the most economically disadvantaged.

 6.5.2.2. Good jobs – as well as looking at the number of jobs, there will be a greater emphasis on creating jobs which offer London Living Wage, opportunity for progression and good terms and conditions. Apprenticeships offer a key progression route, especially for young people, and will be central to the strategy.

 6.5.2.3. Environmental sustainability – economic development at a minimum should be considerate of environmental concerns and ideally should seek to contribute to environmental borough plan priorities.

 6.5.2.4. Health and Wellbeing – Recognising that good work supports good health and wellbeing and that those with health and wellbeing needs may require additional support to get into employment.

6.5.3. There will also be an enhanced focus on supporting existing local businesses and residents who wish to start their own businesses. This recognises that local business often employ local people; they are more likely to spend with other local businesses keeping wealth recirculating in the local economy; and that businesses owned by women, BAME and minority groups can help to make the economy more reflective of local communities. The Business Loan Funds, which are subject of another October Cabinet paper, can be seen as part of this.

6.6. Insourcing

6.6.1. Insourcing is a priority for the Council and has strong alignment to CWB, especially aspects related to:

 6.6.1.1. The Council directly controlling the terms and conditions of staff providing local public services, many of whom are also local residents.

6.6.1.2. Residents having more of a stake in public services – the mechanisms for holding outsourced services to account are often not as strong as when they are delivered in-house, where Councillors have greater ability to scrutinise performance.

6.6.1.3. Keeping wealth local as profits do not need to be paid to shareholders/business owners and money can be directly reinvested by the commissioning body into other local services.

6.6.2. There is a report that sets out the policy statement on Insourcing that is also on the Cabinet agenda for October 2019.

6.7. Workforce Development

6.7.1. The Council is one of the largest employers in the borough (a direct lever to support CWB) and offers good jobs, which are stable and provide good terms and conditions. Two of the key themes in the workforce strategy are valuing difference and enabling people to grow. Valuing difference will help to ensure that council staff are representative of the communities the Council serves, therefore leading to better services. Enabling people to grow, including increasing apprenticeships, will provide staff with an opportunity to progress. To note, 28% of staff are also residents and a further 44% live in one of the six neighbouring boroughs.

6.8. Asset Management

6.8.1. The Council plays an important role as a landowner, with the land and premises being tenanted by local businesses, community organisations and the Council itself. This is a clear lever which the Council can employ to maximise public good and build prosperity in the local economy. From supporting community groups who in turn help to build social wealth and support some of our most disadvantaged residents, through to local businesses who provide valuable jobs in the local area. It is recommended that a CWB approach is used to help to shape the Council's approach on asset management.

6.9. Anchor Approach

6.9.1. Acting alone, the Council will have limited impact. At its heart, CWB is a partnership approach, and a core part of this work involves galvanising partners to take up this agenda, and to use their own levers to build community wealth.

6.9.2. The role of anchor organisations has been key in the approach taken by other areas. Haringey has relatively few public sector anchor organisations geographically located here, unlike Preston who had a number who were critical to the local economy. It is therefore proposed that anchor organisations may also include some private sector organisations (especially those who are unlikely to move out of the borough).

- 6.9.3. Potential anchor organisations include: Whittington Health NHS Trust; North Middlesex University Hospital NHS Trust; Barnet, Enfield and Haringey Mental Health Trust; College of North East London; Enfield and Haringey Police; North Central London Partners; Schools; Tottenham Hotspur; and Alexandra Palace.
- 6.9.4. In addition to this, a number of neighbouring boroughs, local businesses and VCS organisations share the commitment to CWB and work will be initiated to identify potential areas for collaboration.
- 6.9.5. Some of the areas to explore with anchor organisations include; procurement spend with local businesses and how they embed social value in procurements; London Living Wage accreditation and its extension to suppliers; apprenticeships within their workforces; and use of assets to support communities.
- 6.9.6. A partnership engagement plan will be developed subject to approval of this as a key priority for the next year.

6.10. Embed the approach within the Council

- 6.10.1. Recognising the importance of leadership and culture, it is proposed that the approach is embedded within the Council. This will enable Council officers to understand the approach to CWB; see how their work can support this; and identify further opportunities. Subject to agreement that this is one of the key areas of action, a full engagement plan will be developed.

6.11. Measuring success

- 6.11.1. The following four borough plan measures are key to assessing the impact of the CWB approach:
 - 6.11.1.1. Reduction in proportion of Haringey workers paid below the London Living Wage.
 - 6.11.1.2. Increase percentage of the council's expenditure on goods and services spent with Haringey businesses.
 - 6.11.1.3. Targets on residents being supported into employment and apprenticeships.
 - 6.11.1.4. Increase skills levels specifically residents in Tottenham with high level qualifications.
- 6.11.2. In addition:
 - 6.11.2.1. Each of the five priority areas will develop additional measures of success, many of which will be directly relevant to CWB.

6.11.2.2. A success measure will be developed for the work with anchor organisations following more detailed analysis and initial discussions.

6.11.2.3. Wider measures of success will evolve as this approach develops e.g. measures on social wealth.

7. Contribution to strategic outcomes

7.1. Community Wealth Building is referenced in the Economy priority within the Borough Plan. The plan states that: “Community wealth building will be at the centre of our approach. We will focus on building wealth within the community and will pursue this agenda across all of our activities. We want to build the strength, depth and wealth of our local economy and will create safe and attractive environments for both businesses and our residents to thrive.” It also links with other Borough Plan priorities, in particular, the commitment (outcome 8) to create strong communities where people look out for and care for one another.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

8.1. Finance

8.1.1. Community wealth building’s (CWB) definition in Haringey highlights a positive approach to maximising Council’s resources and involving residents in public service. It ensures that Council resources are used for the prosperity of residents and local businesses.

8.1.2. CWB is aligned towards the Council’s priorities; thus, some of the key areas of implementation will not require additional financial resources. Each key area, prior to implementation will go through the Council’s governance process and financial impact duly assessed before approval.

8.2. Procurement

8.2.1. Strategic Procurement has been consulted in the CWB approach and is fully supportive of the recommendation made in this report.

8.2.2. The new Procurement Strategy is aligned with the CWB approach and is very much focused on achieving the outcomes referenced in this report.

8.2.3. Through consideration of the Social Value Act in procurement activity, levers can be used that will enable the Council to focus on supporting local services being delivered by local people/organisations.

8.2.4. Strategic Procurement will come forward with new guidance on how to maximise supporting CWB through the Council's commissioning and procurement functions.

8.3. Legal

8.3.1 The Council has the general powers to put in place a strategy or an approach, as set out in the recommendation, designed to promote the economic and social wellbeing of its areas and its residents. Section 1 of the Localism Act 2011 provides the Council with a general power of competence.

8.3.2 Under the Public Services (Social Value) Act 2012, when procuring certain services, the Council is required to consider how it might improve the economic, social and environmental well-being of the area in which the services are to be provided.

8.4. Equality

8.4.1. The Public Sector Equality Duty (PSED)¹ is a duty requiring public bodies and others carrying out public functions to have due regard to:

- 8.4.1.1. eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010;
- 8.4.1.2. advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
- 8.4.1.3. foster good relations between people who share a protected characteristic and those who do not.

8.4.2. A CWB approach will help Haringey Council to fulfil its requirements under the PSED duty by:

- 8.4.2.1. Addressing structural inequalities and working with anchor organisations to promote fair and inclusive work practices.
- 8.4.2.2. Focusing on good quality local jobs, improving take up of apprenticeships, and targeted skills and employment programmes, to help to reduce labour market inequalities faced by those who share a protected characteristic. This will assist the council in advancing equality of opportunity between people who share a protected characteristic and those who do not.
- 8.4.2.3. Increasing social wealth, which would enable residents to build connections with those different to them, enabling the fostering of good relations between people who share a protected characteristic and those who do not.

9. Use of Appendices

Annex A: Community Wealth Building Elsewhere

10. Local Government (Access to Information) Act 1985

¹ <https://www.legislation.gov.uk/ukpga/2010/15/section/149>

10.1. Procurement Strategy

10.2. Insourcing Policy

Annex A – Community Wealth Building Elsewhere

Preston

The first area in the UK to take forward a CWB approach was Preston in the North West. There were two main reasons why they changed their approach to economic development in 2011:

- The City Council was one of the 10 worst-hit local authorities in Britain impacted by austerity.
- A £700 million redevelopment plan for the city centre, based around a new shopping centre, collapsed after John Lewis pulled out.

Since then they have focused on:

- Harnessing the spending power of “anchor institutions” - government, universities, hospitals, and more- to redirect spending and contracts to local suppliers and employers.
- Where no local service provision exists or there is an identified gap in the market, the Council has looked to encourage local co-operatives to enter those markets.

Other Local Authorities

A number of other Local Authorities are taking a CWB approach, most notably Manchester, Islington and Newham.

The vast majority of areas start with their procurement spend. They focus on increasing spend with local and SME businesses; and increasing consideration of social value when awarding contracts.

This is then broadened to include a wide range of activities. For example:

- Islington are focusing on obtaining business floorspace from developers at peppercorn rents and equipping smaller local businesses to articulate their social value in order to access public service markets.
- Newham are encompassing a number of elements within their approach including: young people’s skills strategy; developing a new relationship with the voluntary sector; and supporting residents on low wages.