



Interview

Matthew Brown

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Community Wealth Building is about using existing local wealth and redirecting the public spending of 'anchor institutions', rather than incentivising what economists call 'inward investment'. What is the historical background to this approach to Community Economic Development?

Well, I'll talk about Preston first in particular. What is quite telling is how our story fits into the global context. It is now the 10th anniversary of the Financial Crisis and the global recession that followed. In Preston, before I started at the council, we had an inward investment scheme in partnership with two of the biggest developers within the global economy. The idea was to regenerate a deprived part of the city centre, investing roughly £700m. Then in 2008 we had the economic crash, roughly 10 years after we started the project, and the main anchor store, John Lewis, decided to pull out. So we needed to explore other options and start again.

For me, this is quite significant. It seems to fit in very well with the fact we have a dysfunctional financial system, which caused recession and austerity. So we realised that you need to start with what you have – existing wealth. One approach we're exploring is community banking – a not-for-profit bank that can lend to small business, and those who have difficult accessing loans. While it's about redirecting public money, which already exists, it is also about creating new wealth. You also find that the more you buy locally, and invest locally, you tend to get a good return to the city council. If there's more businesses, more people are paying taxes, for instance.

Do you think post-industrial cities, such as Cleveland, Ohio, much like Preston, are good places for Community Wealth Building approaches?

I do. Cleveland has experienced more economic hardship than Preston, though we still have significant challenges. The disinvestment that has occurred in Cleveland can also occur across areas like Preston. Large corporations are more interested in the large cities like central London and central Manchester, and for places like Preston, a small city in the North West of England, it can often be difficult to attract such investment.

The other side of the coin is that if you are successful in attracting inward investment, it can be at the expense of independent businesses. You might attract a new supermarket, but the supermarket will only source a small percentage of their products from the local economy, whereas outdoor markets are independent and source locally. So, superficially, attracting a new supermarket may look like a good deal for the local economy, but this is not always the case.

The biggest challenge is cultural, though. The assumption that large corporations bring wealth is difficult to disrupt – it's the neoliberal consensus of the last 40 years. There are alternatives, and those alternatives are very successful. The Community Wealth Building is about encouraging the democratisation of the economy. Procurement is very important for public institutions, and the Centre for Local Economic Strategies are currently analysing the latest figures of how much public spending we've collaboratively repatriated to local suppliers. It's also about encouraging credit unions, co-operative enterprise, public institutions paying and promoting the Living Wage, municipal energy, pension funds, local banking, and independent businesses. If you bring all this together and you get the local public sector involved, you're basically creating your own ecosystem, which is going to be extremely resilient and create a lot of equality. The only thing is that it is a very hard slog,

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and things change slowly. We started this four years ago and we do feel we are making significant progress, though, especially improvements in our index of deprivation and the figures of those receiving the living wage, particularly women.

These approaches are not always that obvious, though. You have to start by identifying existing local wealth and redirecting it, and also find new ways of organising the local economy.

Are more traditional parts of the labour movement receptive to the Community Wealth Building approach?

Yes. Trade unions, such as Unite, are very open to the approach as they are seeing the economy and employment practices change. Traditionally, you would apply for a job, have an interview, and if you were successful, you would get a contract of employment. Now with platform technologies, you can work for Deliveroo, but you're not applying in the traditional way, instead you are registering online.

A lot of our procurement strategy is about the Living Wage, eliminating zero-hour contracts, and ensuring that local workers are employed as part of any development projects. So I do believe there is synergy between the unions, co-operatives, and Community Wealth Building strategies. They could be working together more, but we are actively having these conversations.

Your procurement strategy at Preston council, which includes the spend of a large network of public institutions, and is informed by your own social value framework, prioritises local businesses, and worked-owned businesses. How has this impacted the local economy and the co-operative sector over the last few years?

We've worked with the Centre for Local Economic Strategies (CLES), who have been a fantastic partner, and we will find out the latest figures of how much public money we've retained within Lancashire.

Initially, we started this journey by visiting the head of local anchor institutions, of which around 10 are part of our network. We had to get high level agreements from the CEO

or leader of the organisation, and then with CLES we encouraged cultural change around procurement practice. This is about creating an environment where we communicate the procurement opportunities to local businesses. It is about breaking large contracts into smaller contracts, making it easier for smaller businesses to bid. At Preston City Council we have a social value policy, and even the university and colleges are informed by social value within their strategy. There is no formal agreement across the network of anchors but there is a strong collaborative approach.

The really interesting development is not just tracing where the money is being spent, but the gaps where we are looking to create new worker co-operatives. One example is the Open Food Network who are looking to bid for contracts for the hospital, colleges and schools in Lancashire. This will potentially create new jobs. We're also exploring how we work with Co-Tech, a network of technology co-operatives, and how they could bid for IT services within the university. This would include new jobs for graduates. And then there is the renewable energy movement. This sector is interested in installing renewable energy schemes on the buildings of the local anchor institutions. So there is a lot of activity beneath the surface, and it shows the strength of how this movement is developing.

It's exciting that you can use the power of the local public sector to democratise the economy, and simultaneously expand the co-operative sector. Though we need to finalise the figures, it now looks like the collective procurement spend repatriated within Preston is now tens of millions of pounds. This is construction, food, printing, legal services. A family owned construction company, for example, can have 40 suppliers.

How do you prioritise the kind of businesses you work with?

Part of the social value framework is about supporting local businesses to retain money in the local economy. This is explicit. There are also commitments to reducing the local environmental footprint, so obviously if products are being shipped in from abroad, or outside of the region, local companies are more likely to win a contract as it is better for the environment.

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You mention there are some gaps in the services?

It’s slightly frustrating. When I started I was really excited about how much of our annual procurement spend – £750m collectively – could be redirected to co-operative businesses. I was telling the co-operative sector that this could be transformative, but we experienced a slow response. Networks like Co-tech, though, are really interested in working with us and will be visiting in the next few weeks to see how they can engage in this approach. The Open Food Network are interested, and local artists are interested in setting up worker co-operatives. For the local anchors institutions, they are interested in how this approach can reduce deprivation.

We also have a new credit union, a new co-operative development network, constituted as a co-operative, and we’ve got educational psychologists who have formed a co-operative, as well as a few employee-owned businesses. Once we get the community bank launched, we could really start to build a culture where things are changing quite radically, and where we have more of a say over our economic destinies.

We waited all of these years for big inward investment, and now we’re doing it by supporting local wealth building.

While local economies are attempting to transform their housing market, localise energy, and encourage community ownership of public assets, they are being held back by their lack of capital. This has led to interest in local and regional banking, with community banks being developed in the West of England and Greater London. How do you see the role and influence of Community Banking within local economic strategies?

Community banks are hugely important.

The narrative of central banking encourages deregulation and privatisation. In the UK we have four or five banks, which have roughly 80-90% of customer deposits. These banks won’t, on the whole, lend to independent businesses and when they do, small business would struggle to pay the interest. This is just another problem with the current banking system.

We have a credit union with 500 members, which is continuing to expand. We support a CDFI – Lancashire Moneyline – that the council invests in and which lends to small businesses and individuals in deprived areas. Finally, it is the concept of a community bank that we’re exploring, with the support of Professor Richard Werner of Southampton University. He is working to set up a Hampshire community bank, and we’re hoping to have this in Lancashire, too. They are very close to getting a banking license and Richard has visited Preston to develop interest from the anchor institutions in investing in a new community bank. These are significant sums. These banks, at the county-level, within a few years could be lending £400-500m. This could solve the problem of getting finance to smaller business. A large bank would prefer to lend £10m to one large corporation, than say £30-40,000 to smaller business.

And like you say, community pubs, and co-operative energy schemes are fantastic, but they won’t really challenge the system. If we can launch a bank, within just a few years we could be lending lots of money, and those customers deposits will stay and be invested within Lancashire.

All of these schemes – procurement, local banking, and pension funds – are really significant sums of wealth. I’m not sure most people realise this, but this is why figures like Ted Howard, co-founder of the Democracy Collaborative, are so inspirational. He argued

that Cleveland's public institutions were spending £3bn a year, while extreme poverty exists just a mile down the road. It doesn't make any sense. This new economic model is about identifying existing wealth and redirecting it.

Pension-level investment is also talked about as a significant strategy for unlocking more capital for local and social investment – a report by Social Finance UK suggested that if UK pension funds allocated just 1% of their members assets, i.e £23.9bn, “the effect on the impact investment market would be staggering.” Have you managed to establish relationships with local pension funds?

We have. We have a city deal here, which is more conventional. The most interesting part of the city deal that we negotiated with the government was between Preston and neighbouring councils, those within a 10 mile radius. A big part of the local government pension fund will invest £100m within the 'city deal' area – about 2-3% of the fund. Now obviously you have the fiduciary responsibility, but if you go back 15 years or so, the advice to pension funds was to invest in equity. A lot of these equities would have been financial equities. Now we know what happened when the crash came, because when the economy collapsed, the stock market collapsed, and the value of the funds fell by roughly 30%.

So I think even within the funds themselves, there is more openness to invest more in local community assets. I think Lancashire's pension fund, which Preston City Council is part of, is very good. It reduced the equities to just below 50% from 73%, so they are now investing in affordable housing. The developments in Preston include student apartments, a good return to the pensioners. It also creates jobs, and the people who get the jobs pay taxes, which then goes back to the city council. It's a virtuous cycle.

But another approach that we're keen on, which was recommended by the Lancashire Fairness Commission, is to propose that a proportion of this fund should be invested in renewable energy and affordable housing. The affordable housing they currently invest in is not within Lancashire, it's elsewhere in the country. There is an opportunity to build more affordable housing in Lancashire with the pension fund, and also renewable energy schemes. Unison, the public service union, has taken the decision to divest from fossil fuels. Across the country we have roughly £13bn invested by local government funds in fossil fuels. So there is a big opportunity to link these investment approaches with councils to create municipal energy networks. You get investment because local people are buying energy from the public sector, and that then goes back to the fund. You also create jobs, and potentially you can also lower energy bills.

One example of this is the London borough of Islington. The council has allocated 15% of their entire fund for social housing in the capital. These approaches are happening and significant, because if this happened across the country we would be talking about redirecting £10bn into affordable housing. The danger is, if the funds keep investing in equities, especially foreign equities, and we have another financial crash, which many are predicting, the value of the funds will be drained. But by investing them locally, in businesses that are more productive rather than speculative, then you can get that return for longer and it will also be better. If you read about the pension fund in Alabama, it invests about 10% in the local economy. This has built a number of golf courses, and other major developments. But if you look at the return to the state in taxes paid and jobs created, there is a virtuous circle.



Unions are rightly complaining about austerity, but they have their member's money – around £200bn – invested in their pensions. By investing in the community, they could create more jobs and more revenue. I think this is a conversation that needs to take place.

If you are talking about adopting an alternative to capitalism, we need the trade unions to look where they are investing their member's money. The system is broken in my opinion and there are alternatives, and these are alternatives to corporate capitalism. I think we need to create a new movement with these pension funds. The problem is, I'm a politician in many ways, and I'm suggesting what people do with their money. However, I do feel these are trends and there is strong evidence it is more sustainable.

If political parties talk of public ownership at all, it's usually taken to mean centralised state ownership. So it's been a relative surprise that the current Labour cabinet have been promoting the co-operative option for national services, such as our railways. And in their Digital Democracy manifesto, Platform Co-operatives, a nascent movement to create a 'co-operative internet', also receives policy support. How do you see a future Labour government applying the co-operative model of ownership and governance to its policies?

Well, I think the manifesto is fantastic. There was a commitment to doubling the size of the co-operative economy. What we want to see around public procurement is stronger policy options, which make it easier – through legislation – to contract co-operatives. You can do that in many other countries, but it is more difficult here. There is also the issue of finance, and I think incentives should be given to convert businesses to co-operatives and employee-owned businesses. Platform Co-operatives are another

interesting sector for co-operative growth. I am not an authority, but there are many opportunities through technology to expand the sector. It is something we need to do to challenge Deliveroo and Uber, but we need more support.

I think if we get a Labour government, I think the whole culture will completely change. What we've managed to create through Corbyn's success is a political awakening, and I think if he does get elected, more people will be educated about these approaches. Trade unions will have more rights, more rights in the workplace, more access to finance. I think a lot of this is about taking control of our destinies, because at the moment, there is a real unhappiness in people's working and economic lives, as they're getting exploited more and more. They are getting less of what they produce.

If we did have a Labour government, union membership would increase, and trade unions would have a huge opportunity to talk about these alternatives and create them. You have to try and change the culture. We have citizenship classes in school, which could be one way to educate children about co-operatives. And a lot of local councils, including Blackpool, are encouraging school children to save money with their credit union. This helps to introduce the idea that banking can be controlled by savers from a young age – it's a democratic institution they can influence.

If you could introduce a new piece of legislation to support your Community Wealth Building efforts, what would it be?

I would have to agree with the author Richard Wilkinson who said there should be legislation to give a certain percentage of shares to workers in companies that are over a certain size. So over a 20 or 30-year period, the majority of the company would be owned by employees. I think that is quite a radical policy and I'd support it.

