Rewiring Local Economies:

Community Wealth Building for a Just Transition

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January 2024

FUTURE ECONOMY SCOTLAND

DECARBONISE / DEMOCRATISE / DECOMMODIFY

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EXECUTIVE SUMMARY

The Scottish Government has committed to bringing forward the world's first Community Wealth Building Act within this Parliamentary session. This not only represents an opportunity to mark a defining directional change in Scotland's approach to economic development – it can also set a precedent that extends beyond Scotland's borders. Should the act prove transformative, it can create a ripple effect, enabling Scotland to become a test case example for other countries to replicate and build on.

To date, the links between Community Wealth Building (CWB) and a just transition have been relatively underexplored in Scotland. The origins, visions and missions of a just transition and CWB are complimentary. This report aims to demonstrate how - if true to its purpose and ambitious in its aims - Scotland's embrace of CWB can be a powerful instrument to achieve a rapid and just transition to net zero.

Chapter 1 explores the global movements that inspired CWB, before outlining its definition, noting that as appetite for CWB grows at a local, regional and national level in Scotland, it is imperative that its mission, vision and strategy must be comprehensively understood. The chapter maps out the five pillars of CWB, as set out by the Centre for Local Economic Strategies, each holding the potential for ground up interventions to democratise local economies:

1. Socially just use of land and property
2. Plural ownership of the economy
3. Making financial power work for local places
4. Fair employment and just labour markets
5. Progressive procurement of goods and services

Chapter 2 explores the scale and urgency of climate and environmental crises, the unjust and equal consequences of it, analyses the driving forces behind it, and sets out how the five pillars of CWB can be harnessed to create a just transition to net zero.

Scaling plural ownership to decarbonise local economies: Financial wealth is disproportionately held by a small minority, and wealth generated by workers and communities is too often extracted by distant shareholders. This section sets out how CWB can address this by connecting people to places that create wealth, and contributing to local economic development by scaling pluralist models of business ownership to ensure more wealth is created and retained locally. The expansion of democratic business ownership can support a wide range of intertwined goals relating to climate, environmental and economic justice.

Mobilising green local financial power: Scotland's financial system has long prioritised lending to financial and property markets over productive investment, while efforts to attract inward investment have detracted from mobilising locally-led investment. This section analyses how CWB can channel sources of credit towards productive local investment, connecting lenders with localities by rapidly increasing flows of green investment within and to local economies, and scaling up models of democratic and locally-oriented financing that are geared to addressing climate and environmental crises.

Promoting fair work for an equitable transition: Scotland's labour market remains highly imbalanced, and insecure and low paid work continues to be a key driver of poverty. Delivering a just transition will involve a major restructuring of Scotland's labour market, shifting employment from carbon intensive sectors to low carbon industries. This section explores how CWB can increase employment opportunities as well

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as significantly improve the quality and pay and conditions of local jobs in the shift from carbon intensive sectors to low carbon industries

Creating climate-resilient procurement: Conventional approaches to procurement have often centred on a narrow definition of financial cost. In turn, this can leave important factors trailing as secondary priority areas, from climate and environmental consequences to workers' rights and social value. This section explores how CWB can build an approach that harnesses the power of progressive procurement to develop a dense ecosystem of local supply chains, deepening local spending power and directing it to support sustainable, resilient communities by retaining and growing local wealth.

Enabling a just transition for land and property: How land is owned, used and managed and use is key to achieving the Scottish Government's ambitions to deliver a just transition to net zero, scaling up Community Wealth Building, and creating a wellbeing economy. This section explores how under a CWB approach, land and property assets can generate local wealth through equitable forms of ownership, management, and development.

Chapter 3 takes a closer look at leveraging CWB for democratic local green energy, setting out how to rewire the composition of local economies in such a way that local wealth is retained, recirculated and redistributed. Embedding energy democracy into local energy systems is particularly important in the context of both climate and environmental crises and the current cost of living crisis.

INTRODUCTION

Scotland's economy faces a series of long standing and emerging challenges. The legacy of the Global Finance Crisis laid bare fundamental economic fractures, and the UK Government austerity programme that ensued intensified structural inequalities and eroded vital public services. Enduring problems like comparatively low investment and productivity levels continue to hamper Scotland's economic potential. Income inequality in Scotland remains relatively high, and wealth inequality is higher still.[1 2]

The Covid-19 pandemic triggered a widespread and prolonged demobilisation of economic activity while exposing and deepening long standing structural injustices. In Scotland, working class communities, women, minority ethnic households and young and disabled people were among those most economically impacted by the pandemic.[3]

Emerging challenges are placing additional pressures on the economic security of households. While core UK inflation fell over the last few months, it remains high.[4] And while the highest-income households have been relatively insulated amid the cost of living crisis, poorer households have been hit disproportionately hard, spending an increasing proportion of their incomes on energy, food and fuel. [5]

The cost of living crisis is exacerbating the persistent problem of stagnating living standards. Despite many households buckling under the weight of increasing costs - particularly in Scotland's rural areas - major energy firms have witnessed soaring profits.[6 7] The cost of living crisis thus shines a spotlight on both the cost of our continued reliance on fossil fuels in a privatised energy market, and the interconnected nature between hardwired structural inequalities and climate breakdown.

Climate and environmental breakdown remain the single biggest threats to our collective future. Inherently tied to inequalities, the causes and distributional consequences of these crises are unevenly felt, with those that have contributed the least facing the most adverse consequences of it.

Each of these crises share a common root cause: an extractive and unjust economic system. There can be a tendency during protracted periods of economic instability to reconstitute - or ameliorate the worst excesses of - the status quo. As Scotland's economy navigates turbulence amid the current climate, neither of these options will suffice.

In place of this, we need a coordinated just transition to decarbonise Scotland's economy while actively reducing social, economic and regional inequalities, alleviating poverty, increasing living standards – particularly for low and middle income households – and fairly sharing the costs and benefits of decarbonisation.

The Scottish Government's commitment to cut greenhouse gas emissions to net zero by 2045 represents an important step in the fight against climate and environmental breakdown. Decarbonising Scotland's economy as quickly as possible is vital. But how we do so – and who benefits – matters. If harnessed effectively, this moment can be a catalyst to create a more democratic, sustainable and just economic system.

Starting from the ground up, Community Wealth Building (CWB) is increasingly recognised as a conceptual frame and tried and tested practice to deliver a just transition to net zero at a local level by ensuring that the wealth created by the transition to net zero is retained and re-circulated locally. Appetite in Scotland is growing rapidly for this economic model that transfers physical and financial assets into the hands of local communities and economies to develop, scale, and build community-controlled institutions and approaches. In 2020, North Ayrshire Council launched a comprehensive CWB strategy, making it the first CWB council in Scotland.[8] The country has since seen a sharp rise in councils adopting variations of CWB strategies, from Clackmannanshire to Tay City Region and the Western Isles.[9]

Alongside growing appetite at local levels, the Scottish Government has taken steps towards recognising the importance of a CWB approach to local economic development. The National Strategy for Economic Transformation (NSET) sets out priorities and actions for Scotland's economy over the next decade. It established CWB as one example of its "practical approach to local economic development that supports a wellbeing economy." The NSET stipulates the approach will use "public and private investment through procurement and other means to create new employment opportunities, help local businesses to expand, and place more assets in the hands of local people and communities."[10]

In addition to the Scottish Government's creation of a ministerial position for community wealth and public finance, the 2021-22 Programme for Government committed to bring forward the world's first Community Wealth Building Act within this Parliamentary session. The act, it states, will "enable more local communities and people to own, have a stake in, access and benefit from the wealth our economy generates" and "cement and augment" the role local authorities and other public sector anchor organisations play in supporting local economic development and advancing a wellbeing economy.[11]

The Community Wealth Building Act can not only mark a defining directional change in Scotland's approach to economic development – it can also set a precedent that extends beyond Scotland's borders. Thus far, successful examples of CWB strategies have largely centred on local authorities, cities and regions. Scotland is the first country to have national-level CWB legislation. As such, should the act prove transformative, it can create a ripple effect, enabling Scotland to become a test case example for other countries to replicate and build on.

To date, the links between CWB and a just transition have been relatively underexplored in Scotland. This report aims to demonstrate how - if true to its purpose and ambitious in its aims - Scotland's embrace of CWB can be a powerful instrument to achieve a rapid and just transition to net zero.

1. DEFINING COMMUNITY WEALTH BUILDING

As will be explored in more detail in subsequent chapters, conventional approaches to local economic development are often geared towards a top down approach, where wealth extracted from the locality is shored up and channeled towards shareholder profits and excessive executive pay. This can result in climate and environmental degradation, concentrated ownership of wealth and power and community disempowerment. This in turn hollows out local economies, stripping workers and communities of a stake and say in the wealth they create in common. In place of this, CWB directly confronts an extractive and unequal approach; instead offering a coherent, viable, alternative pathway forward. This section aims to delve into the roots of CWB and provide a comprehensive overview of its definition.

The inspiration behind CWB derives from a patchwork of movements that long predate its formation; movements that sought to address economic insecurities, disempowerment and structural injustices. These range from the cooperatives of Ujamaa in Tanzania and the Mondragon Cooperatives in the Basque Coast of Spain, to the European post war consensus and the New Deal era in the US.[12]

Further, the demands embedded in the Civil Rights Movement for community self-determination, participatory democracy, and a meaningful stake in collectively created wealth inspired efforts to champion a more democratic economy, from Community Land Trusts to worker-owned businesses.[13] These innovative, asset-based social and economic strategies provided greater ammunition to deepen a collective agenda for change.

Building on this array of inspirations, the term ‘Community Wealth Building’ was first coined by the US-based think tank The Democracy Collaborative (TDC) in 2005. It articulates “broadly shared economic prosperity, racial equity, and ecological sustainability through the reconfiguration of local institutions and economic strategies on the basis of greater democratic ownership, participation, and control.”[14]

As appetite for CWB grows at a local, regional and national level in Scotland, it is imperative that its meaning is not watered down or misinterpreted - particularly by local and national decision makers. For CWB to fulfill its transformative potential, its mission, vision and strategy must be comprehensively understood.

Pioneered by The Democracy Collaborative in the US and the Centre for Local Economic Strategies (CLES) in the UK, CWB is a model rooted in sustainability and redistribution that seeks to build power from the ground up through democratic ownership, handing communities more self-determination and enabling greater levels of participation.[15] It is a people-centred approach where the objective is changing the flow of wealth so that it is more generative rather than extractive. Rather than modifying the margins of a model driving the accumulation of wealth and power in the hands of a few, CWB aims to develop economic systems change at the local level. As the CLES sets out, CWB is centred on five key pillars:[16]

1. Socially just use of land and property: Land is an expression of economic power, and concentrated ownership of land and property continues to be a key driver of inequality. If stewarded through more equitable forms of ownership and management, land and property can be a source of local wealth generation centred on climate and environmental stewardship and social justice.
2. Plural ownership of the economy: Central to the vision of CWB is scaling generative businesses – like small enterprises, community-owned initiatives, co-operatives, worker owned firms, and social enterprises – in which the wealth created is shared broadly between owners, workers and consumers, allowing wealth to flow through to local people and places – and back to them – rather than being extracted.[17]
3. Making financial power work for local places: The financial power principle of CWB is focused on increasing flows of investment within local economies by harnessing and recirculating the wealth that exists, as opposed to focusing on attracting external capital.
4. Fair employment and just labour markets: CWB aims to increase employment opportunities as well as noticeably improving the quality and pay of jobs in a local area. As major employers, anchor institutions can make a significant impact on the livelihoods of people in the local community by taking measures such as the promotion of inclusive employment practices and paying the real Living Wage.[18]

5. Progressive procurement of goods and services: When it comes to how money is spent and how services are procured by anchor institutions, cost is often the dominant determining factor in who gets the contract. Critical considerations like workers' rights, climate and environmental considerations and social value are often given much less priority. CWB aims to develop dense local supply chains of businesses likely to support local employment and retain wealth locally.

Each of the pillars holds potential for ground up interventions to democratise local economies, from community land trusts and community development financial institutions, to employee stock ownership plans.[19]

Central to CWB is the role of 'anchor institutions', which create and reinforce local economic ties. Local councils are often the driver of CWB and as such can play a key convening role in supporting anchor institutions and anchor institution networks.[20] Two key factors can be used to identify anchor institutions. First, they typically describe local organisations that hold a crucial presence in a place via a combination of factors such as being large-scale local employers, their land and assets, and their scale of spend through local procurement. Second, that their mission, history, physical assets and local relationships are tied to a particular place, such as NHS trusts, universities and higher education institutions, trade unions and housing associations.[21]

As CLES notes, anchor institutions "should have a keen interest in their local economies: they recruit from and serve local communities; they have a profile in that local economy; and they can contribute to wider outcomes."[22] The overarching aim is to centre capital generated by anchor institutions on the advancement of the five pillars, thus retaining and recirculating wealth in the local economies and for the benefit of local communities.

As individual elements, the five pillars, and the direct interventions required to harness them, are not new. On the contrary, they have a long history of benefitting workers and local communities globally. What CWB does is elevate this to centre them collectively at the heart of a cohesive, overarching strategy to tackle today's intertwined challenges at scale.

What characteristics do successful CWB strategies have in common? The Democracy Collaborative identified the following attributes:[23]

Place-based: Ensuring a "loyalty to geographic place" and developing local assets – including land, buildings and the natural environment – in ways that ensure that wealth stays local and is broadly shared.

Local, broad-based ownership: Minimising absentee ownership, and ensuring that assets are broadly held and locally rooted over the long term, so that income recirculates locally.

Large local multipliers: Prioritising local spending and investment to keep money circulating in the community and minimise wealth leakage from local economies.

Collaborative decision making: Ensuring that a wide range stakeholders beyond the government and private sector are able to influence decision making, including local residents.

Inclusive, well paid jobs: Prioritising the creation of inclusive, well paid, local jobs in order to underpin living standards and economic security.

It is important to note that CWB should never be viewed as a form of replacement for the state or vital public services; rather, it can complement their achievements by helping to tackle inequalities that scar our communities by redistributing the wealth we create in common. This is particularly important in the context of local government austerity, which has accelerated wealth extraction from communities as well as the transfer of the ownership of assets, while encouraging outsourcing into private hands.

CWB can support the disruption of this, encouraging public sector organisations to adopt a systemic approach into their work, maximising ambition for what they can potentially achieve as a cross cutting priority for council departments and in relationships with partners institutions and organisations.

2. HARNESSING COMMUNITY WEALTH BUILDING TO DELIVER A JUST TRANSITION

The complex and devastating impacts of a fossil fuel-based economic system have reached a critical stage, pushing the natural environment beyond safe operating limits, subsequently threatening our collective future. This section explores the scale and urgency of climate and environmental crises, the unjust and equal consequences of it, analyses the driving forces behind it, and sets out how the five pillars of CWB can be harnessed to create a just transition to net zero.

This year has seen both the hottest June on record globally and the hottest ever day.[24] This summer alone has been marked by climate and environmental devastation. Across Southern Europe and North Africa, extreme temperatures ignited ferocious wildfires and deadly storms swept through Croatia, Slovenia, Bosnia and Italy. In Scotland too, a May wildfire blazed in Cannich. It is thought to be the largest on record in the UK, reaching 30 square miles.[25] By June, heatwave conditions continued and every part of Scotland faced water shortages, while areas of the Highlands faced flooding and landslides.[26 27]

The causes and distributional consequences of climate and environmental crises are unevenly felt both within and between countries, with longstanding gender, racial and economic structural inequalities resulting in historically marginalised communities disproportionately shouldering the cost.

Oxfam International research revealed the carbon footprints of the richest 1% of people globally is set to be 30 times greater than the level compatible with the 1.5°C goal set by the Paris Agreement. In fact, the total global emissions of the richest 1% - which represents fewer people than the population of Germany - are expected to account for 16% of total global emissions by 2030. This figure has increased from 13% in 1990.[28]

In Scotland, Future Economy Scotland research found the carbon footprint of the richest 5% of households in Scotland was 4.1 times greater than the poorest 5% of households in the period 2017–2019. For private transport (which includes private cars and motorcycles), the carbon footprint of the richest 5% of households was 10 times higher than the poorest 5% of households.[29]

It is increasingly clear that averting irreversible climate and environmental breakdown will involve joining as one the transition from a carbon intensive economic system to one rooted in sustainability with coordinated efforts to tackle gross imbalances in power and wealth.

Scotland, as a high historic and current producer of oil and gas, has disproportionately contributed to rising global temperatures. There is therefore an enhanced onus on Scotland to rapidly decarbonising the economy. At the heart of this rests the need for a just transition.

While specific definitions of just transition vary, most emphasise the importance of reducing emissions in a way that delivers fairness, tackles inequality and injustice. Future Economy Scotland defines a just transition as a coordinated plan to decarbonise Scotland's economy and tackle the nature crisis while:[30]

- Creating well-paid, secure, unionised, green jobs throughout urban and rural Scotland alike.
- Supporting the reskilling and retraining of workers as part of a managed decline of carbon-intensive industries.
- Actively reducing social, economic and regional inequalities, alleviating poverty, and increasing living standards – particularly for low and middle income households.
- Ensuring that impacted communities, trade unions, workers and businesses are given a meaningful stake and say over decisions that affect them.
- Fairly sharing the costs and benefits of decarbonisation, including by embracing more democratic forms of ownership and governance.
- Ensuring that Scotland, as a high historic and current emitter, recognises global imbalances created by

climate and environmental breakdown and builds a reparative approach.

The Scottish Government has taken important steps to create a just transition, principally through its commitment to becoming net zero by 2045 – five years ahead of the UK Government - and through integrating the principles of a just transition in the Climate Change (Scotland) Act 2019.[31] The commitment to a just transition has also been reflected in the creation of a Cabinet Secretary position for Transport, Net Zero and Just Transition, and the appointment of a Just Transition Commission to provide scrutiny and advice, undertake engagement and publish annual reports reflecting progress.

Despite key steps taken to advance a just transition in Scotland, the economy remains deeply unequal and heavily reliant on carbon-intensive industries. As the Climate Change Committee has highlighted, Scotland has failed to achieve seven out of eleven net zero targets to date, and "the trend of failure will continue without urgent and strong action to deliver emissions reductions, starting now."[32]

Delivering a just transition in Scotland means tackling the systemic problems embedded in the current economic model, and hardwiring climate justice into every aspect of Scotland's economy through a wholesale transformation. Delivered effectively, it has the potential to create a new generation of well paid green jobs, raise living standards, reduce poverty, tackle deep-rooted inequalities. This, however, cannot be achieved by making minor tweaks to the status quo, or by simply ameliorating the worst excesses of a broken model. Instead, Scotland must embrace bold new ideas to transform the economy.

Complementing the national levers required to deliver a just transition, local authorities have powers and influence over key areas of emissions and a key role to play in shaping a fair transition that addresses the climate and environmental emergency. As such, embracing new economic approaches to rewire local economies will be critical to implementing a just transition.[33]

While often viewed as separate agendas, the origins, visions and missions of a just transition and CWB are complimentary. Indeed, as Max Lacey-Barnacle notes, CWB is a "transformational economic project and net zero transitions imply significant economic reorientations."[34] If brought together, they are a powerful force to tackle the intertwined crises facing Scotland's economy. Indeed, appetite for a just transition can provide an opening for CWB to ground the reconstitution of local economies needed to reach net zero in principles of justice, equity, and participatory democracy.

In that sense, CWB offers a practical toolkit to accelerate the rapid decarbonisation of local economies from the ground up, stewarding locally-controlled, generative, democratic institutions and approaches geared towards climate-resilience.

2.1 Scaling plural ownership to decarbonise local economies

Financial wealth is disproportionately held by a small minority. At a local level, "this means that the wealth generated by workers, local people, communities, local enterprise and business in our towns and cities does not flow back to them, but instead is extracted by distant shareholders as profits and dividends."[35]

Key shifts in Scotland's economy over recent decades have fuelled this. Examples of this include the UK accounting for 40% of the total value of assets privatised across the OECD from 1980 to 1996; the quick fire sale of council housing stock; financial sector deregulation; corporate tax cuts; austerity; and the erosion of trade union power.[36]

As of March 2022, businesses with their ultimate base outside of Scotland - either in the rest of the UK or foreign owned - represented 3.3% of businesses operating in Scotland. Despite accounting for a small fraction of businesses operating here, these businesses accounted for 55.1% of turnover, and 35.6% of employment, including 18.9% of Scottish private sector employment from foreign-owned businesses alone.[37]

Connected to the large foreign-owned business share of employment and turnover is the difference between gross domestic product (GDP) and gross national income (GNI) in Scotland. For many countries, the difference between the two is very small, meaning the value of what the country produces is broadly in line with the income it receives. For Scotland, however, GNI has remained below GDP throughout the period from 1998 to 2021, reflecting the primary income deficit over this period. In 2021, Scotland's GNI was estimated at £170.9bn, whilst Scotland's GDP in the same year was measured at £181bn.[38] In total, the 2021 data reveals a net outflow of income from Scotland in the region of £10bn.

As Professor Graeme Roy notes, two important factors help to explain the difference between Scotland's GDP and GNI. Firstly, Scotland has a large pensions, asset management and insurance sector, which means there is "naturally a large 'profit' on portfolio returns made by Scottish investment firms that flows to policyholders outside Scotland." In addition growing levels of foreign ownership in key sectors, as well as the centralisation of the UK corporate base in London, has led to a relative decline of local corporate ownership.[39] While external investment has created positives for Scotland's economy, through for example job creation, the weakening of local corporate ownership has in turn contributed to profit leakage. As such, a large proportion of the overall value generated in the Scottish economy ends up flowing to investors living elsewhere, rather than being reinvested domestically.

CWB seeks to address this by connecting people to places that create wealth, and contributing to local economic development by scaling pluralist models of business ownership to ensure more wealth is created and retained locally. These models of enterprise include social enterprises, worker-owned businesses, municipal/democratic public enterprises, community-owned businesses, and cooperatives: businesses that are socially-minded and more likely to employ, invest and buy locally.

Pluralist business models enable wealth created by workers, users and communities to flow back to them and to communities, as opposed to enabling profits to flow upwards to shareholders. Embracing this generative approach to local business is particularly crucial in the context of the long-term decline of highstreets and the ways in which the Covid-19 pandemic accelerated this.

Shareholders that are, for example, geographically remote and focussed on profits and share price are not well positioned to guide companies into a new era of climate and environmental sustainability.[40] In contrast, the expansion of democratic business ownership can support a wide range of intertwined goals relating to climate, environmental and economic justice.

While there is no single, legal definition of social enterprise, they make up a diverse community of business models that reinvest their profits or surpluses back into their social and/or environmental purposes.[41] There are currently over 6,000 social enterprises in Scotland, which together contribute £2.63bn GVA to Scotland's economy, and support 89,970 full-time equivalent employees.[42]

A key driver of poverty and inequalities is low pay, and the need to ensure Living Wage jobs for all is heightened amid the cost of living crisis. 85% of social enterprises in Scotland pay at least the Living Wage to all employees.[43] Moreover, 71% of Scotland's social enterprises are led by women.[44] Across the UK, 31% of social enterprises have directors from Black, Asian and minority ethnic backgrounds, and 22% operate in the most deprived areas.[45]

At a UK level, one in five social enterprises addresses the climate emergency as part of its core social/environmental mission, and the vast majority are factoring in the environmental impact of their supply chains, and 84% believe the social and environmental friendliness of products is as or more important than cost. In addition, 67% have or plan to embed tackling climate change/climate emergency into their constitution/articles of association.[46]

The growth of worker-owned businesses is central to successful CWB strategies. Worked-ownership is a model where employees - as opposed to external shareholders - hold the majority of shares in the business. It involves "a significant and meaningful stake in a business for all its employees" which goes beyond financial participation where employees' stake "must underpin organisational structures that ensure employee engagement."[47]

In the UK, 71% of employee-owned businesses have a statement of purpose that includes making a positive contribution to society and the environment, while 96% say that looking after the workforce is a key measure of business success.[48] Moreover, Social Market Foundation research showed that employee shareholders in the lowest income quartile – the poorest 25% in the UK – have median net financial wealth £10,900 greater than those that are not employee shareholders. [49]

Analysis by US-based think tank The Democracy Collaborative explored the nexus of employee-ownership, social equity and environmental sustainability, finding that mission-led, employee-owned companies significantly outperformed their peers in terms of social and environmental impact. This, the analysis states, demonstrates "how enterprise structure is the foundational route to solving persistent problems resulting from our dominant corporate design", from tackling inequalities to reducing environmental harm.[50]

2.2 Mobilising green local financial power

Access to credit is key to enabling local businesses to prosper, allowing them to operate, grow, expand, and invest. Scotland's financial system has long prioritised lending to financial and property markets over productive investment, while efforts to attract inward investment have detracted from mobilising locally-led investment.

For the past two decades, investment in Scotland - and across the UK - has consistently been among the lowest among advanced economies. At less than 10% of GDP, the level of business investment in Scotland is among the lowest in the OECD. The causes of this relate to factors like the UK banking sector's reluctance to finance productive investment, companies often prioritising dividend payouts and share buy-backs over long-term investment, and trade frictions and uncertainty resulting from Brexit.[51]

To deliver a just transition, Scotland must overcome its longstanding problem of low investment. The Scottish Government has recently developed a series of investment approaches, including the March 2021 'Investing with Purpose: global capital investment plan'. The plan seeks to align "efforts to attract private capital with the investment needs of our most competitive global sectors", and pivot towards targeting environmental, social and governance (ESG) investment.[52] Moreover, the Scottish Government's inward investment plan, published in September 2022, aims to make Scotland "a leading destination for inward investment that aligns with our values as a nation."[53]

The NSET, published in March 2022, has a key aim to make Scotland "a magnet for inward investment and global private capital."[54] If disproportionately relied on or harnessed in a way that clashed with just transition objectives, the pursuit to attract inward investment and international finance could exacerbate existing issues, like wealth extraction and concentrated ownership. The NSET does however outline the need for coherent and focussed interventions, including a net zero industrial strategy that "successfully blends inward investment with the building of strong indigenous local supply chains to develop strategic clusters."[55] This intervention, together with the Programme for Government 2023-24 commitment to develop a Green Industrial Strategy, represents both a recognition of the untapped potential of a strategy to develop green domestic local supply chains and an important commitment to addressing it.

Accelerating a just transition to net zero must involve a step-change in public and private investment. Crucially, investment will be needed not just in the places where private markets can make financial returns, but also in areas that yield the highest social and environmental returns. Diversifying Scotland's investment approach towards a more balanced approach that recognises both the benefits of values-aligned inward investment alongside the need to scale green domestic investment can support a just transition. Central to this is strategic green finance geared towards supporting local job creation, local businesses and local communities.

CWB seeks to scale investment flows within local economies through harnessing and recirculating local wealth, as opposed to attracting national or international capital. What are the key barriers to mobilsing local green finance? First, the nature of bank lending has changed dramatically over recent decades. Banks have shifted from mainly lending to businesses for productive investment, to primarily lending to purchase pre-existing assets - particularly real estate and financial assets. While these transactions may be profitable, they do not typically generate any new economic value, as the assets in question already existed.[56 57]

Second, there is a stagnation of business lending to medium sized enterprises (SMEs), driving a disconnect between large lenders and local economies. For many business borrowers - and especially SMEs - bank credit is their main, or even only, source of finance.[58] Prior to the pandemic, between 2% and 5% of business loans provided by banks went to SMEs despite SMEs making up 99.9% of UK businesses in 2021 and 60% of private-sector jobs in the UK.[59] This poses a number of problems for smaller, innovative businesses to obtain the longer-term funding needed to enable firms to thrive. As a report by the New Economics Foundation and Positive Money notes, there are particular challenges with investments that are longer-term and less liquid - both of which are key forms of investment required to finance the goals of a just transition.[60]

Third, large investors are often drivers of climate and environmental breakdown. A report this year found fossil fuel financing from the world's 60 largest banks reached USD $5.5 trillion in the seven years following the Paris Agreement. Last year alone saw $669 billion in fossil fuel financing.[61] Barclays and HSBC put the most money into fossil fuels of the UK banks, lending $16.5bn and $11.0bn respectively, while Lloyds put $1.8bn into fossil fuel companies in 2022.[62]

Overall, there is a need to channel sources of credit towards productive local investment, connecting lenders with localities by rapidly increasing flows of green investment within and to local economies, and to scale up models of democratic and locally-oriented financing that are geared to addressing - not deepening - climate and environmental crises.

One type of institution that can support this are credit unions. Credit unions are not-for-profit financial cooperatives that are owned and controlled by their members. They can offer savings, lending and other services to their members who meet criteria set out in a 'common bond' – such as living and working in a particular area or work for a certain employer. There are around 90 credit unions in Scotland, serving almost 415,000 members, with assets of £629.[63] Historically credit unions in the UK were restricted to providing basic financial services to individual members. However, in 2012 UK legislation was changed to enable credit unions to lend to small businesses.[64] With the retreat of the physical presence of larger banks on the highstreet, credit unions can help tackle the financial exclusion experienced by many through the transition to online banking. Critically during a cost of living crisis, they offer lower interest rates than predatory lenders, and can help to retain anchor institution funds in the locality.[65]

Another example is Community Development Finance Institutions (CDFIs). CDFIs are specialised financial institutions that provide financial products and services to people and communities underserved by traditional financial markets. CDFIs provide credit to businesses, social enterprises, individuals and homeowners that cannot access commercial finance because of their size, or lack of security.[66] The CDFI sector in Scotland is smaller than the credit union sector, lending around £20 million a year to individuals and businesses across the UK, compared to £700 million for credit unions.[67] CDFIs are not deposit-taking institutions, and as such face greater funding constraints and are generally more expensive than credit unions. However, CDFIs play a critical role in many communities serving financially excluded groups.

Alongside credit unions and CDFIs, community municipal investments and regional community banking can be developed.[68] By operating with a banking license, community banks are able to offer a larger range of financial services than credit unions and CDFIs, and have a greater ability to extend credit into local economies. Compared to commercial banks, community banks lend proportionately more to the real economy; are less likely to fail or cut back lending in times of crisis; and perform better on financial inclusion.[69] As CLES notes, councils in Wirral, Preston and Liverpool together with the Community Savings Bank Association are seeking to create a council-led regional community bank. This aims to "provide capital to help grow local SMEs, help low earners to acquire mortgages and tackle financial exclusion by having a physical presence on local high streets."[70] This could be elevated by including a mission-led approach for local and regional banking centred on green place-based economic development, unlocking finance for CWB to steward a just transition. As well as being rooted in the locality, they can address the financial needs of SMEs, and often invest more ethically, held in trust for the benefit of their members.[71]

In addition, community shares offer a funding mechanism to enable democratic business models to flourish, for instance, through financing community renewable energy initiatives.[72] Glasgow Community Energy (GCE) was established to tackle the climate emergency and empower local communities. Alongside grant and loan funding, the renewable energy cooperative launched a community share offer in 2021 to people in Glasgow, which raised £30,000. GCE has generated 679,000kWh/year of clean, green energy for Glasgow, and is expected to do so every year for at least 20 years. All profits raised from selling the electricity are reinvested in local community projects through its Community Benefit Fund.[73]

Another important mechanism with the potential to channel large sums of investment to sustainable local initiatives is local authority pension funds. Strathclyde pension fund, for example, has over 266,000 members and £28bn of investments.[74] Currently, two primary problems are holding back the power of local authority pension funds to unleash the potential of CWB for a just transition. First, many are themselves heavily invested in fossil fuels. Analysis by Platform revealed that as of March 2020, Scottish local council pensions invested £1.2 billion in fossil fuels.[75] As the Just Transition Commission notes, the power of public sector pension funds "must be directed towards ensuring companies align with the just transition to net-zero."[76] Second, it is often the case that only a small fraction of the funds are invested in the locality. For example Strathclyde Pension Fund's Direct Impact Portfolio, which invests in local and ESG oriented projects, amounts to just 5% of the pension fund's total assets.[77] Greening and reorienting local authority pension funds to local schemes can channel and grow green investment back in local communities.

New sources of local green finance can also be harnessed, like the establishment of a new Community Wealth Fund where communities funding applications are assessed on the basis of Community Wealth

Building criteria, and a dedicated Scottish National Investment Bank fund to support community-owned initiatives.[78]

2.3 Promoting fair work for an equitable transition

Scotland's labour market remains highly imbalanced, and insecure and low paid work continues to be a key driver of poverty. Scotland's income inequality increased dramatically during the 1980s and early 1990s and today remains high in an international context.[79] The pandemic demonstrated this in an acute way, with workers across Scotland left struggling with widespread redundancies as well as battling with health and safety violations from employers. Between 2019 and 2022, around one in five working-age adults in Scotland live in relative poverty after housing costs, and groups like single mothers, young people and people from ethnic minority backgrounds are all more likely to live in relative poverty.[80]

The cost of living crisis has exacerbated long-term living standard stagnation.[81] This crisis is disproportionately harming structurally oppressed groups. Living Wage Foundation revealed that 42% of women on low wages have fallen behind on household bills compared to 35% of men on low wages, and 35% of low paid women have skipped meals regularly for financial reasons.[82]

With households struggling to cover the costs of necessities as inflation bites, research by High Pay Centre analysed UK CEO Pay in 2022, revealing an explosion in executive pay. The median FTSE 100 CEO was paid £3.91 million in 2022, marking an increase of 16% on the median FTSE 100 CEO pay in 2021. In total, FTSE 350 firms spent over a billion on executive pay, with £1.33bn awarded to 570 executives.[83]

While wages across the UK have grown, real-terms wage growth has failed to keep up with soaring inflation, with median pay for full-time UK workers growing by just 5.5% from 2021 to 2022 - far lower than inflation during this period.[84] There remains an urgent need to advance strategies that increase real wages, particularly in low paid sectors.

CWB aims to increase employment opportunities as well as significantly improve the quality and pay and conditions of jobs in a local area, by, for example, promoting recruitment from lower income areas, and providing pipelines of employment like training and support services geared to both the needs of the employees.[85] As major employers, anchor institutions can make a significant impact on the livelihoods of people in the local community by taking measures such as the promotion of inclusive employment practices and paying the real Living Wage.

In 2011, Preston City Council began the process of creating a CWB strategy. By 2012, Preston City Council became a Living Wage Foundation accredited employer, and Council took an active role in encouraging local anchor institutions to pay the real Living Wage. As of 2018, 4000 extra employees are paid the real Living Wage in the city, and between 2007 and 2015 Preston moved from being the 20th most deprived local authority area in the country to the 60th.[86]

Harnessing CWB to create well paid local jobs is of particular importance amid the cost of living crisis, which has shone a spotlight on deep inequalities embedded into the current operation of the economy. In the case of the energy costs faced by households, it has also highlighted the volatility and cost of the continued reliance on fossil fuels and the need for a coordinated just transition - particularly for fossil fuel workers and impacted communities.[87]

Delivering a just transition will involve a major restructuring of Scotland's labour market, shifting employment from carbon intensive sectors to low carbon industries. At present, however, there is a risk that Scotland's path towards net zero does not result in significant domestic job creation. Scotland's offshore wind industry provides an illustrative example. In 2010 the Scottish Government projected that 28,000 workers would be employed in the offshore wind sector by 2020.[88] However, figures from the Office for National Statistics show that there were only 3,100 full time jobs in offshore wind in 2021. – just 11% of the total that was projected.[89] Managed effectively, however, the transition to net zero has the potential to create more new jobs than will be lost.

A just transition is not only geared to creating green jobs and supporting the reskilling and retraining of workers in carbon-intensive sectors. It is about delivering secure, well paid, unionised jobs through urban and rural Scotland alike. The parallel goals of CWB and a just transition are again highlighted: both seek to actively reduce social, economic and regional inequalities, alleviate poverty, and increase living standards through fair work.

While CWB should always be designed by and for local communities, tailored to the bespoke needs of local economies, national-level decision making can support the CWB objective of fair work. Examples of this include upgrading the Scottish Government's Fair Work First principles to includes criteria such as banning the use of zero hour contracts, tackling the gender, racial and disability pay gap, and accelerating the transition to net zero; and the creation of a comprehensive green industrial strategy to scale up well paid, secure green jobs throughout Scotland's economy.

2.4 Creating climate-resilient procurement

Conventional approaches to procurement have often centred on a narrow definition of financial cost. In turn, this can leave important factors trailing as secondary priority areas, from climate and environmental consequences to workers' rights and social value. Such factors rest at the heart of a just transition.

Scotland has seen a number of positive developments seeking to address this. For instance, in August the Scottish Government published its procurement policy manual, providing guidance on the procurement policies that apply to the Scottish Government.[90]

Central to this is an ambition to optimise the economic, social and environmental outcomes of procurement activities. This includes examples such as Fair Work First, which aims to drive high quality and fair work across Scotland's labour market, and Communities Benefits, which was enshrined in the Procurement Reform (Scotland) Act 2014 through a provision to consider community benefits for "relevant and proportionate" contracts of £4 million or more.[91]

The Scottish Government has stated it is committed to using public procurement to support the strategic priority of "transitioning to a more resource efficient, lower carbon economy, including a Sustainable Procurement Duty. This aims to require that - prior to a contracting authority carrying out a Regulated Procurement - it must "consider how it can improve the economic, social and environmental wellbeing of the area in which it operates" with an aim to secure improvements. Further, the duty requires that contracting authorities "consider how their procurement process can facilitate the involvement of SMEs, third sector bodies and supported businesses, and how the procurement can be used to promote innovation."[92]

Building on these goals, CWB advocates an approach that harnesses the power of progressive procurement to develop a dense ecosystem of local supply chains, deepening local spending power and directing it to support sustainable, resilient communities by retaining and growing local wealth. This approach places particular focus on supporting plural forms of business ownership, such as cooperatives, social enterprises and employee owned businesses; all of which are "more likely to support local employment and have a greater tendency to recirculate wealth and surplus locally."[93] Progressive approaches to procurement are embedded into the operation of anchor institutions.

In the case of Preston's CWB strategy, CLES worked with six anchor institutions brought together by the city council to drive levels of spending with city-based suppliers up from £38.3m in 2012/13 to £112.3m in 2016/17.[94] This approach led to the percentage of total procurement spending in the city going up from 5% in 2013 to 18% in 2017, and from 39% in 2013 to 79% in 2017 across the Lancashire region.[95] This represents a rise of £74m in Preston and £200m in Lancashire.[96]

Pre-qualification procurement criteria can be used to establish a broader understanding of suitable suppliers and set out discretionary expulsion grounds. For example, the trade union Unite developed a Construction Charter into procurement procedures, laying out contractor and supply chain requirements; among them mandating direct employment of workers and ensuring access to trade union representation.[97]

Complementing this, the power of procurement can be used to reduce climate and environmental breakdown through, for example, giving weighting to environmental impacts in procurement decisions and targeting spending toward local low carbon suppliers along a green supply chain. Using procurement to protect and improve the environment - ensuring places where people live and work are cleaner and greener - is central to the wider goal of creating social value.[98]

In that sense, anchor institution procurement should continually be viewed through an economic development lens to deepen demand in the local economy and animate local supply as a key lever of local green industrial strategy.

In 2018, Hackney City Council adopted a sustainable procurement strategy. The strategy aims to improve the efficiency of commercial spend to deliver major social and environmental benefits within our local community and nationally."[99] Alongside measures to use procurement to champion a better society - like encouraging local suppliers - and measures to procure for fair delivery - like paying the London Living Wage - the council embedded a series of measures for green procurement. These include reducing emissions, proactively sourcing low carbon and green energy, diverting from landfill and incineration, purchasing sustainable timber products, and using renewable resources.[100]

As will be explored further in the next chapter, supporting local and community-owned energy is central to delivering a just transition. If designed effectively, procurement at a local and national level can incentivise just transition outcomes in the drive to net zero.This can be fostered, for example, by highlighting the option of partnership with community energy in public and commercial sector procurement guidance, and integrating just transition guidance in funding and procurement processes, considered together with Community Wealth Building and relevant National Planning Framework legislation. Further, there is a need to develop tools to enable local authorities to monitor new procurement decisions in terms of progress against Scotland's national just transition outcomes.

As recommended by the Just Transition Commission, the Scottish Government should "empower and resource local authorities to deliver a just and green recovery in recognition of the need to rebuild and strengthen local economies."[101] One way this can be done is to align procurement to support local, climate-friendly, healthy produce in, for example, schools, hospitals and prisons, supporting the integrated goals of CWB, a just transition and a Good Food Nation.

In addition, insourcing can enable more sustainable operations while improving governance and accountability, and delivering higher quality services. As councils battle with squeezed financial positions, the tendency for local authorities to outsource the provision of public services to large firms at the lowest cost has often resulted in corroded public services, weakened workers' rights, and poorer environmental outcomes. As CLES notes, insourcing can create stronger local supply chains, enhance workers' rights, and support the recalibration of public services.[102] [103]

2.5 Enabling a just transition for land and property

How land is owned, used and managed and use is key to achieving the Scottish Government's ambitions to deliver a just transition to net zero, scale up Community Wealth Building, and create a wellbeing economy.

Land ownership is a key expression of power in our society. At present, too few are set to see immense profits off the back of it, and concentrated ownership continues to be a source of inequality. At a local level, economic pressure and the drive to enclose land ownership for private interests has resulted in local authorities selling off land and property assets.

Despite the progress made by multiple waves of land-reform legislation following the creation of the devolved Scottish Parliament in 1999, it has been estimated that just 432 individuals own 50% of privately held land in rural Scotland. Although community ownership has been growing since the early 1990s, it still accounts for only about 3% of the total land area of Scotland.[105].

As the Scottish Land Commission notes, Scotland's concentrated pattern of land ownership leads to risks connected with a concentration of power, creating parallels with the adverse effects of corporate monopolies. Concentrated ownership of land, it states, runs "counter to the needs of a modern, dynamic economy", impacting the social, economic and environmental wellbeing of communities, creating challenges for rural communities to fulfill their economic potential, and potentially damaging social resilience.[106]

Under CWB, land and property assets "represent a base from which local wealth can be accrued through equitable forms of ownership, management, and development" where assets are "owned and managed in ways which ensure that they generate wealth for local citizens, rather than enclosed by private interests."[107]

Here, community wealth is built via equitable forms of land ownership, management and development to utilise the potential of these assets for social and environmental purposes, reshaping how land and property is owned. This is particularly critical in the aftermath of the Covid-19 pandemic and its subsequent economic shocks, not least because of the heightened need to regenerate and repurpose high streets. The question of how the future liability of these properties are then put to use, and their carbon output, is of vital importance.

A CWB approach to land reform can unlock a number of the Scottish Government's policy objectives, including delivering a just transition to net zero, promoting a wellbeing economy, and tackling inequalities. This is especially important amid the current climate. The dramatic increase in investor demand for carbon and natural capital activities is transforming Scotland's rural land market, contributing to both soaring demand and significant upwards pressure on rural land prices for all types. This threatens to replicate the damaging outcomes of highly concentrated land ownership managed in a way that is disconnected from the local community under a green guise. Given the expected growth of carbon offsetting and other natural capital markets in Scotland, a key question relates to how the value generated from these activities will be captured and distributed.[108]

A report for Community Land Scotland explores how different landowner business models align with the principles and objectives of CWB, concluding that community ownership delivers the strongest alignment. This is due to the fact that it is rooted in place; encourages local, broad-based ownership; has the potential to generate large local multipliers and minimise economic leakage; embeds collaborative approaches to decision making; and delivers inclusive, well paid jobs.[109] While a range of democratic ownership models exist that can green land use and management, community ownership provides the most effective means of ensuring that "wealth that is created in Scotland is retained and redirected back into local communities", particularly in contrast to an absentee corporate and individual ownership.[110]

To build a CWB approach to land and property, a series of actions can be taken. Future Economy Scotland will publish in-depth analysis and policy recommendations focussed on the role of land as part of a just transition. The following outlines some core examples of how to combine CWB with a just transition for land and property.

First, the establishment of accurate, up-to-date data on land values, ownership and use across Scotland is key to enhancing land market transparency and preventing off-market land sales. This can provide local communities, policymakers and other key stakeholders with accurate information about Scotland's land market, which in turn will empower local communities and facilitate more informed policy decisions.

Second, the strengthening of Community Right to Buy powers - including examining the scope to enable communities to purchase land at below market value under certain limited circumstances - to scale land ownership models aligned with CWB principles, and help diversify Scotland's concentrated pattern of land ownership. In addition, Public Commons Partnerships (PCPs) should be explored as a potential model for pursuing partnership approaches to democratic land ownership.

Last, to tackle key problems in the current approach to land and property, including the issue of derelict land, local authorities should be granted the legal power to issue Compulsory Sale Orders.

Case study: Decarbonising Cleveland's economy through Community Wealth Building

In the mid 2000s, Cleveland became the first ever major CWB initiative. In the 1950s and 1960s, the city was relatively wealthy, hosting more headquartered Fortune 500 corporations than in any city outside of Manhattan. Cleveland then underwent a drastic period of economic decay and deindustrialisation, with over half the factories closing or moving elsewhere. Cleveland became known as a 'rust belt' city, and was one of the three poorest cities in the US, leaving a legacy of post-industrial decline, widespread unemployment, dramatic depopulation, devastating levels of child poverty, and chronic underinvestment.[111][112]

Despite this, Cleveland retained an important network of place-based public and non-profit institutions, like the non-profit hospital, the Cleveland Clinic, and Case Western University - both of which were harnessed as anchor institutions. Together, the anchor institutions were responsible for purchasing billions of dollars in goods and services; the majority of which was purchased from Los Angeles, Mexico, or China.[113] In what would go on to become known as the 'Cleveland Model', the Cleveland Foundation - alongside local institutions and community groups - partnered with The Democracy Collaborative to localise and retain spending of the anchor institutions.

Through joining the twin goals of economic and climate justice, this gave rise to the development of an ecosystem of green, worker-owned cooperatives firmly rooted in the community, known as the Evergreen Cooperatives, representing a network of green industrial enterprises in very low income, disinvested communities. Evergreen is owned by employees who are predominantly Black, and many of whom are returning citizens - meaning that they have recently been in the criminal justice system.[114]

Launched as part of the initial tranche of worker-owned Evergreen Cooperatives, Evergreen Cooperative Laundry is one of the few commercial laundry operators headquartered in the City of Cleveland, offering industry-leading green innovations for local hotels, hospitals and nursing homes.[115] In addition, a renewable energy company called Evergreen Energy Solutions was created.[116] The firm supports manufacturers, large institutions, residential developers and others save energy, from installing solar panels to outfitting offices or parking lots with energy efficient lighting, and building insulation. In 2020, Berry Insulation joined the Evergreen Cooperatives, providing insulation services to improve energy efficiency. Here, 85% of the employees are employee-owners.[117]

Crucially, the cooperative enterprises are joined together by a community-controlled holding company which gives local stakeholders a say in whether the cooperatives could be sold or moved out of the community, "combining the concepts of job and wealth creation, worker ownership, and community control."[118]

In sharp contrast to the corporate flight experienced in Cleveland during the period of deindustrialisation where decisions were driven by investors, these sustainable firms cannot be easily sold off to private interests nor can they easily leave Cleveland. Instead, the cooperative network recirculates, multiples and grows green local wealth for the people and communities where it is created.

The community-controlled holding company divides a percentage of profits to the cooperatives and additionally generates funds to incentivise and scale new community-rooted enterprises. Following their initial creation and development, the cooperatives have grown in scale, including the creation of the Fund for Employee Ownership, launched in 2018. The fund sets out to acquire local businesses, transition them to employee ownership, and immerse them into the cooperative network, examples of which include a technology and robotics firm, and a network of local coffee shops.[119]

3. A CLOSER LOOK: LEVERAGING COMMUNITY WEALTH BUILDING FOR DEMOCRATIC LOCAL GREEN ENERGY

Households throughout Scotland are struggling to cover the rising costs of energy while oil and gas firms and major energy companies have seen profits soar. The problems with the energy market however long predate the current crisis. From the lack of gas storage leaving the UK's gas supply increasingly exposed to volatile global markets to the longer term trends of rising consumer bills and energy firm profits, structural problems embedded in our privatised energy system point to deeper, more systemic failures for consumers.[120]

With regards to renewable energy generation in Scotland, while the country has experienced a world-leading transformation in wind generation over the last decade and a half, this has not been matched in terms of the manufacturing job creation.[121] Further, there is a need for an approach that more effectively shares risks and rewards between the public sector, private sectors, and local communities. Despite the presence of community benefit funds in some renewable energy projects, more action is needed to ensure the value created by Scotland's renewable generation is not extracted by multinational corporations and private interests. Carrying this out in a way that equitably shares costs and rewards and empowers local communities and economies means designing democratic energy to carefully consider ownership, governance, participatory voice, and funding.

There remains a need to increase capacity, delivery and innovation support to unlock community and location energy. This should include designing accountable ownership and governance and creating approaches that increase levels of participation and engagement from communities, ensuring the benefits from projects are shared, from household decarbonisation to supply chains.

CWB can offer a ground up approach to local renewable energy that rewires the composition of local economies in such a way that local wealth is retained, recirculated and redistributed. Embedding energy democracy into local energy systems is particularly important in the context of both climate and environmental crises and the current escalating cost of living. Local authorities and anchor institutions can steward the local energy transition through the five pillars by hardwiring carbon emission reduction into local approaches.[122]

As will be explored further in a case study below, one area in which a CWB approach has the potential to support green energy is that of retrofitting homes. In Scotland, around 11% of homes have a zero or near zero emissions heating system, and in 2019, less than half of Scotland's homes were rated EPC C or better. While roughly 3,000 renewable heating systems have been installed annually in recent years, this will need to scale significantly to at least 124,000 systems installed between 2021 and 2026.[123] Despite the mammoth challenges associated with retrofitting Scotland's homes, the social, economic and climate benefits are clear, from creating local jobs and reducing fuel poverty to dramatically cutting energy bills to ease the cost of living crisis.

Case study: North Ayrshire

In 2020, North Ayrshire council published a CWB strategy. The council, alongside local and regional anchor institutions, aimed to use economic levers "to create a more resilient local economy, with more diverse businesses, to create more well-paid jobs for local people."[124]

The local economy boasted a number of key strengths, with 3,260 businesses - including 119 social enterprises - a three year business survival rate above the Scottish average, an unemployment rate that had more than halved since the post financial crash peak in 2012/13. Despite this, North Ayrshire's economy faced a number of challenges. Just under a third of children lived in poverty, 16% of paid workers earned below the Living Wage, and there were 1,187 hectares of vacant and derelict land in the locality.[125]

Like many councils across Scotland, North Ayrshire Council declares a state of climate emergency. Centred in North Ayrshire's CWB approach is action to support the council's ambitions on climate change and municipalisation. The CWB strategy states it will consider how it can maximise environmental benefits to ensure a just transition, including through utilising land and property assets "to help develop low carbon and renewable energy schemes and networks to support our green transition."[126]

As part of a range of initiatives in its drive to reach net-zero by 2030, in March 2022 the council revealed proposals to generate council-owned renewable energy through the development of three wind turbines and a solar farm. Together with two further solar farms on former landfill sites, these developments could potentially generate 277% of North Ayrshire Council's future energy needs, enabling excess energy to potentially be sold to public anchor institutions across the region.[127]

Case study: Coigach

Coigach in the North West Highlands faced a series of challenges throughout the pandemic. A vital community owned asset, however, helped to support Coigach through the crisis.[128] In 2011, Coigach Wind Power Ltd, a community company, was established to create and sell renewable energy by the community, for the community. Since 2017, the Coigach Community Wind Turbine has been generating green power with a 500 kW turbine.

Over the next two decades, surplus generated is predicted to reach roughly £4.4 million after operating and financing costs. Surplus generated by the turbine helps to finance projects locally, from tackling the need for affordable homes to public service provision and issues surrounding the fragility of local economies reliant on seasonal tourism.[130]

Case study: People Powered Retrofit

Established through support by the Department for Business, Energy and Industrial Strategy and the community energy cooperative Carbon Co-op, People Powered Retrofit is a not-for-profit service. It was established to offer householders in Greater Manchester, Cheshire, Merseyside, South Lancashire, the western Peak District and south west Pennines independent advice and support planning. This includes procurement and delivery of retrofit projects, like the development of skills and supply chains required to decarbonise homes.[131]

The initiative supports the upskilling of local contractors to deliver retrofit services, home energy assessments, connecting people with available funding and support, broader advice in the efficiency and retrofit space, and data and tools to make the model replicable across the UK. In 2021, People Powered Retrofit, announced its plan to train 3,500 joiners, electricians, builders and plumbers over the following 5 years via money raised from a community share offer. By the following year, 365 people had enrolled in its "Retrofit Fundamentals for Construction Professionals" training courses and continuity professional development sessions.[132]

CONCLUSION

CWB offers a practical toolkit to accelerate the rapid decarbonisation of local economies from the ground up, stewarding locally-controlled, generative, democratic institutions and approaches geared towards climate-resilience. If true to its purpose, Scotland's embrace of CWB holds the potential to be a powerful instrument to achieve a rapid and just transition to net zero. As a world first, should the Scottish Government's Community Wealth Building Act be bold and ambitious in its aims and objectives, it can create a ripple effect, enabling Scotland to become a test case example for other countries to replicate and build on.

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