



Preston Model: Community Wealth Generation and a Local Cooperative Economy

Highlights After the financial crisis of 2007/8, the city of Preston in Lancashire, UK, lost half of its government grants and nearly a billion pounds (US\$1.3 billion) in private investments. In what has become known as the *Preston Model*, the city responded by creating a community wealth project. In partnership with the Centre for Local Economic Strategies, the project centred on several large *anchor institutions* (e.g. the local hospital) shifting their procurement practices from external to more local sources. Simultaneously, the project developed worker cooperatives to address gaps in local supply capacity and support a local cooperative economy. Preston continues to explore alternative ways of bringing wealth to the community, such as a windfarm for local energy generation and redirection of pension investments to the regional economy.

Introduction

The city of Preston is situated in the county of Lancashire, in northwest England. At the start of the 2010s, it was facing significant economic and social issues, including rising poverty. This was partly a result of industrial decline since the 1970s but was made more acute by the financial crisis of 2007/8 and subsequent recession, alongside government austerity measures. The city was hit by the stalling and eventual abandonment of a £700 million regeneration initiative, which had been expected to bring significant commercial investment into the city centre (Centre for Local Economic Strategies and Preston City Council 2019).

In exploring alternatives, the City Council began to investigate with the Centre for Local Economic Strategies



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(CLES) how they could use their own spending for greater local economic benefit. In other words, how they could use the existing wealth in the city for the benefit of its residents, through investing in local businesses, building local supply chains, and protecting and creating jobs.

These discussions were inspired in part by the work of the Democracy Collaborative in the USA. The Democracy Collaborative had pioneered this approach in the city of Cleveland, Ohio. They used the purchasing power of anchor institutions, like hospitals, to support community wealth building, and built cooperative business ownership in low-income communities to supply these anchor institutions.

Timeline

Nov 2011	2013	2013 – 15	2017	2019
Key private investor in Preston regeneration scheme pulls out, and the scheme is ultimately abandoned	City Council engages CLES to apply community wealth building in Preston	'Preston procurement practitioners group' developed to share findings of spending analysis	New ideas include developing cooperative sector and community banking	Preston works with over 20 other councils in the UK on community wealth building approaches

How It Works

Starting from 2013, Preston City Council, supported by CLES, has been working with local anchor institutions to implement the principles of Community Wealth Building within the city and the Lancashire area. These anchor institutions include: Cardinal Newman College, the Community Gateway Association, Lancashire Constabulary, Lancashire County Council, Preston's College, and the University of Central Lancashire (UCLAN). Known as the Preston Model, this approach emphasises localising procurement and supporting trade that has a social and environmental, as well as economic, purpose. Further, it uses other tools, such as encouraging businesses to adopt the Living Wage, to promote local wealth generation and economic inclusion.

A key building block of the Preston Model, supported by CLES, was assessing the annual procurement spending of the six anchor institutions within and outside the Preston economy. The aim was to understand where this spend was going, the capacity of existing local businesses in Preston and the Lancashire area to increase their supply to these institutions, as well as the potential for new businesses and cooperatives to meet additional procurement needs.

Armed with this knowledge, the next step was to seek to influence the procurement practices of anchor institutions to redirect a greater share of their spending to local suppliers. These suppliers are expected to credibly compete on price, performance and quality, while meeting local economic, social and environmental needs. Along with encouraging anchor institutions to make a commitment to local purchasing, they helped anchor institutions understand other changes that might be needed. These included breaking up large contracts into smaller elements so that small and medium-sized enterprises could compete for them, and changing how opportunities are advertised so that they reach the local market.

Where it is not possible for anchor institutions to source locally, the longer-term aim is to address gaps in the local supply chain; such as through supporting the development of cooperatives as suppliers. Preston City is also exploring other economic measures such as development of a credit union, community energy and banking, and investing pensions in locally developed student housing (CLES and Preston City Council 2019).

Enabling Participation

The Preston Model enables local people to take back control of the economy by supporting people and their local institutions to work together on an agenda of shared benefit. A key pillar of the model is encouraging the formation of cooperatives and solidarity enterprises.

Despite Preston being the home of the British cooperative movement in the 19th century, over time this cooperative tradition has diminished. By 2016, there were as few as 20 organisations in Preston that saw themselves as cooperatives (Manley and Frogett 2016). To reverse this trend, the Preston Cooperative Development Network (PCDN) was set up to provide a network and other support to enable worker-owned co-operatives to develop, especially to fill the economic gaps where the spend of anchor institutions is currently outside the county.

The steering group of the PCDN includes experts in cooperative business, representatives from Preston City Council, local cooperatives, and members from UCLAN (Manley 2018). Worker-owned businesses being developed include a digital media cooperative and a food hub and café. In addition, four other sectors have been identified where there is strong potential for cooperatives to provide goods and services in response to local demand. These are: adult social care supplies and services; catering; facilities & management services, and furniture & soft furnishings (CLES 2017).

Outcomes

In the 2012/13 financial year, CLES reviewed each institution's top 300 suppliers (by value) and found that of the total spend of £747 million across the six organisations, £37.5 million was spent with organisations based in Preston (5 per cent); and £289 million was spent with organisations based in Lancashire including Preston (39 per cent), meaning that over 60 per cent was spent outside the county (CLES 2017). Just under 50 per cent of all suppliers were SMEs (*ibid*).

Across the six anchor institutions, the following changes were observed in the period from 2012 to 2017 (CLES 2017).

- Spend with Preston-based suppliers reached 18.2 per cent of total spend (worth £112,337,691), compared to 5 per cent in 2012/3, an increase in revenue for local businesses of £74,750,857.
- Spend with Lancashire based suppliers (including Preston) reached 79.2 per cent of total spend (worth £488,659,587), compared to 39 per cent in 2012/13, an increase in revenue for local businesses of £199,688,680.
- An estimated 1,648 jobs have been supported in Preston, and an estimated 4,500 jobs in Lancashire.

At the same time, this analysis found that nearly £60 million worth of current spending by these six anchor institutions that goes outside of Lancashire is for goods and service that could be supplied locally.

Since the initial development of the Preston Model, the number of anchor institutions involved has increased and most recently includes the Lancashire Teaching Hospital. Further development of cooperatives remains a key goal and work here is being scaled up in collaboration with Cooperatives UK, UCLan, and the Open Society Foundations, with training and support from the Mondragon Corporation, a Basque federation of worker-owned cooperatives (CLES 2017). The City Council is also drawing up plans for a regional bank to support local SMEs.

References

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Funding Supported by a grant from the Open Society Foundations.

This Case Summary forms part of the collection of materials produced for the 'Linking Participation and Economic Advancement' project led by the Institute of Development Studies. This research project recognises that economic processes impact the lives and livelihoods of people who frequently have little or no power in these processes. Through this research we identify alternatives: ways that communities, governments and enterprises are making economic decisions in which 'ordinary' people have a real voice.

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