

# Scottish Government Consultation – Building Community Wealth in Scotland

## DTAS - Response

### Introduction

DTAS welcomes the opportunity to respond to this consultation on proposed Community Wealth Building legislation, supportive guidance and actions. We act as a voice for our membership, so have carried out an online survey, a face-to-face consultation event with Ministerial involvement, and two online engagement events. Our response reflects and prioritises the views of our membership, with contributions from our staff – who have a wide range of expertise across all five pillars, and our board. We have also worked collaboratively with partners in the community, social enterprise and third sector to develop shared views on this consultation.

DTAS views CWB as highly relevant for our membership and our work supporting community ownership and democratic finance. It is a sad indictment of our current economic system that CWB is necessary - currently the system enables ‘community wealth extraction’ and concentrates wealth, and land in fewer and fewer hands. Our members often feel that they are fighting this system and clearing up behind it. So, it is vital that we have a programme of economic transformation through CWB and a range of other policy measures, to create an economic system which delivers on our aspirations for a wellbeing economy and builds on what our members are already doing in their communities in both rural and urban settings, allowing them to move away from some of the “failure demand” activities they do now, to activities which generate and keep wealth locally. We would also advocate for a broader definition of wealth, to include social, cultural and ecological wealth (or capital) alongside economic wealth – aligning with the broad goals of a wellbeing economy.

DTAS is committed to the kind of economic democracy embodied by our members – who are all community led and run - and supports a shift to a more democratic, resilient and community driven economy with a more distributed pattern of land/asset and business ownership, and access to a wider range of democratic finance initiatives. Many of our members consider that they are already delivering on one or more of the CWB pillars in their roles as community anchor organisations and will welcome the opportunity to deepen and broaden their practice and impact and connect it with new initiatives emerging in the public and private sectors.

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### *What our members say*

*When consulting our members, some common themes and concerns emerged on the concept of community wealth building, as presented in the consultation document:*

- *There is often a **lack of understanding of what CWB is**. Half of members who responded to the survey described their awareness of CWB as “low” or “very low”, with 45% saying “moderate”, and only 5% describing it as “high”. There is however **recognition of the relevance to their work**, with 70% saying it was high, or very highly relevant. Some members expressed reservations as to what they see as more new jargon, and a lack of trust in the intention behind it to deliver the kind of change they would like to see in their communities. There is a clear **need for education and awareness raising across the sector**, and in communities to make sure that activity is truly strategic and the concept of CWB is not diluted or co-opted.*

- We asked about **awareness of CWB initiatives** locally, and whether their Local Authority had, or was developing an action plan. **70% said that they don't know**, suggesting that there's a lack of awareness, or lack of communication on the part of local authorities on whether there are any current CWB Action Plans or initiatives in their area. **Local Authorities need to do more to raise awareness and engage with their communities** on this agenda.
- There is a mistrust evident in the survey responses, of the ability of local authorities and other public bodies, particularly in a time of budget cuts, to deliver on the aspirations of CWB. Many cite their experience of other good policies which have lacked in the implementation or delivery, and not matched the aspirations of communities, such as Community Empowerment, Participatory Budgeting and Land Reform. The experience, early in the pandemic, of many local authorities being missing in action, and the power and nimbleness of the community response has left a mark.
- Some respondents reflected on the name, and whether the word "community" in the title means that it is for the community and by the community or whether it means it will be done to the community. They feel that it **must be about community empowerment and local economic democracy for it to be relevant to communities** and overcome that cynicism and mistrust.
- There are widely shared concerns about a **lack of capacity and current capability to deliver** – of public bodies to deliver the cultural and transformative change that CWB implies, and of the third sector, many of whom are constantly fire-fighting the mess created by a broken economy, and chasing ever scarcer resources, to respond to an invitation to deeper collaboration with the public and private sector. There is a desire to see legislation accompanied by investment in capacity in the public and third sectors, and true economic transformation away from an extractive model to a regenerative model, leaving communities free to pursue their economic aims, rather than mop up behind the current system.
- Members report **very little engagement in local economic development** in their areas, and for the most part, a **perception of a lack of ability to influence**, demonstrating an absence of local economic democracy. Due to the scale of many local authorities, they can be seen as remote and not able to engage in depth in all their communities – the scale of Highland, and Argyll & Bute Council areas, our two biggest council areas for numbers of members, are a case in point. Local governance reform, and wider democratic reform towards a more granular and participative democracy is a key underpinning of CWB.
- There is a concern amongst rural members that CWB to date is mostly based on and tested in the urban experience (for example Preston and Cleveland). There is a **risk therefore that it is not properly contextualised for Scotland's rural and island communities, or cognisant of the cultural and historical factors which have set the economic and land ownership patterns present in those communities today**. CWB as a set of principles, or a model does seem to be able to flex to fit most places, but there may be more thought required, to properly reflect the particular contexts and histories of these rural and island communities.

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There is a sense here of a tension between hope for a framework which, if implemented well, could offer our membership and the wider sector the kind of radical economic change which will create foundations for sustainable, thriving and resilient communities; and a sense too that communities have been promised much before but progress has, particularly in economic transformation, been incremental. This consultation response aims to hold both of those viewpoints in balance, recognising the opportunity that CWB brings and presenting some clear recommendations, whilst presenting an honest account of the past experiences of and challenges faced by our members which impact on their ability to engage.

## Q1 a) A CWB Duty

### *DTAS supports Option C*

#### Why a duty

DTAS is supportive of a **duty on Ministers and public bodies, to embed CWB in policies, plans and strategies, and a duty on public bodies involved in CPPs to create action plans to implement this locally. This duty must be worded specifically to mandate action, with clear targets and reporting requirements, and could provide incentive and accountability for the public sector to act.** A duty on Ministers implies that the Scottish Government must lead from the front to demonstrate the importance and priority of CWB.

Both parts of the duty should clearly **mandate the involvement of communities and the third sector.** Not as the subjects of consultation or engagement, but as equal partners in scrutinising policy, strategizing, planning and delivering CWB. Whilst CWB in the UK has, often, been led by the public sector, it is clear from its beginnings in the USA that its history is community driven.

A duty acts as the stick, ensuring consistency across public bodies, across policies and places. This stick however does need to be matched by a carrot - of clarity on the benefits of taking up this approach, support for culture change and the investment required to deliver it.

There is a risk, at local authority level, of adding an additional layer of bureaucracy and compliance during a period of budget cuts and reduction in capacity across the public and third sectors and this bill and subsequent secondary legislation must streamline reporting and act as a strategic framework for the different pieces of legislation relevant to one or more pillars of CWB. There must be clear alignment with a future Wellbeing and Sustainability Bill if CWB is presented as the practical means of implementation of a Wellbeing Economy. There must be an alignment with work on Net Zero and a Just Transition. There are silos to be dismantled here rather than new ones erected. A duty may give some reassurance to communities that action will take place, and that there are some consequences for inaction.

Right at the outset, it is important that the Scottish Government leads by example – embodying what it is asking other public bodies to do, and considering its own role as an anchor organisation in the specific places across Scotland where it has large presences and property/land portfolios; through its role in procurement nationally; as a major employer; and as a grant funder, and source of investment through its enterprise agencies and institutions such as SNIB. For example many government buildings host large coffee chains, and large, extractive corporates delivering on contracts for building services and catering. This is inherently not community wealth building, and there is a huge opportunity here to demonstrate CWB in action. How about, in the mould of the Cleveland laundry cooperative, a locally formed building services cooperative for each SG building, owned by the cleaners and caterers themselves?

**Which bodies** – To be truly transformational, this duty to embed the CWB model should encompass all public bodies, starting with the Scottish Government and its agencies, particularly enterprise agencies (recognising that HIE and SOSE are further along on this agenda, and the importance of CDS within Scottish Enterprise). All Local Authorities and regional bodies set up for regional economic development purposes or city/region deals. The NHS has huge potential for CWB, and universities and colleges have important roles too. SNIB should be included with a specific mission to support the growth of inclusive business.

**Accountability** – DTAS supports the introduction of a Community Wealth Building Commission to drive forward the embedding of CWB in policy, and provide accountability and oversight of regional implementation. This could draw on the lessons of the Land Reform Commission, and hold public bodies and Ministers to account. This should be resourced and led by a paid commissioner.

Given that DTAS is a grassroots led organisation, we would also suggest that, **a grassroots led citizens assembly (or a series of regional or local citizens assemblies)**, made up of those at the “business” end of CWB is (or are) convened to ensure that the reality of implementation matches the aspirations of communities and that the community has a direct voice. Such an assembly could have a rotating membership, drawn by sortition from community anchors, small businesses, social enterprises and the public sector (officers rather than managers) from across the country. To ensure engagement and effectiveness, this would need to be resourced.

Our view is that the Scottish Government should prioritize and introduce **wellbeing measurements** rather than GDP. Measuring success based on GDP alone does not reflect the social, environmental and wellbeing impacts or detriments of economic activity.

We would argue that to hold public bodies accountable for their work on CWB, and to ensure consistency of implementation across the country, we should be looking at a set of **wellbeing economy indicators**, which could be measured nationally as well as in the localities where CWB activity is taking place. While there is value in measuring, for example, the amount of spend via contracts with the third sector, there must, in addition, be ways to measure the wider impacts of that spend, to recognise that this is regenerative economic spending rather than extractive.

**Involving business, communities and third sector** – There are some key principles which should be at play here in terms of how communities and the third sector should be involved in the delivery of the duty (and which could apply to business involvement too although that is not our expertise):

- **Collaboration and partnership rather than competition** – too often our members are either seen as directly competing with local authorities to deliver services, or are forced to compete with other third sector organisations for scarce resources. This scarcity mindset embeds the culture of competitiveness.
- **Trust and mutual respect** – our member survey reveals that development trusts often feel mistrusted by public bodies, and that public bodies feel that it is risky to rely on the third sector to deliver, or treat them as equal partners. Community anchors such as development trusts, due to their structure and prioritisation of community engagement, are very likely to be more in touch with the community’s wants and needs and will often be able to come up with better solutions and deliver nimbly (for example during the covid lockdowns).
- **Community anchor organisations must be seen as key players in any local anchor networks**, not just a tokenistic third sector representative.
- **CWB initiatives must be democratic and community centric** – centring the community in local economic development by engaging those delivering at the most local level. Members will disengage if they feel that CWB is just one more thing that is being done to the community rather than being done by and done for the community. Citizens assemblies as one piece of the accountability picture will go some way to retaining this ethos.
- CWB must move beyond just “involving” the community but should instead be about **“devolving” power and economic decision making to the lowest level possible**, building community capacity and capability. This should include the **decentralisation of funding to deliver local priorities**. This should be a key consideration in the much-delayed local

governance review which should consider the most appropriate mechanisms and settings for this kind of local decision making to take place.

## **b) Guidance – statutory or non-statutory**

### ***DTAS supports the introduction of statutory and non-statutory guidance on CWB***

DTAS notes the existence of the high level “EDAS Guide to Implementing CWB”, and guidance produced by CLES, plus a growing body of case studies and good practice from Scotland across the world in various locations online. We would expect a commitment to updating and maintaining that informal guidance and continuing to grow the availability of good practice and case studies, to which DTAS is happy to contribute. Further guidance can build on this work and provide clear direction to public bodies on the implementation of their duties.

There is a need for some **clarification of terms** in any future guidance to avoid confusion. The use of ‘anchor organizations’ in the consultation paper and guidance is confusing in the Scottish context as the community sector has a long-standing usage of the concept and terminology of a community anchor organization. It is important to make the distinction between the institutions which are public bodies and usually hold the buying power and the community anchor organizations who are often the ones who bid for and deliver public services and keep wealth within the communities they are based in. CWB needs to be clear in the language that is used in Scotland to ensure that there is no confusion when implementing changes.

DTAS would suggest consideration of sector specific language:

- **Community Anchors** (Development trusts, third sector, Local SMEs)
- **Public Anchors** (NHS, Local Authorities, Universities, HSCP)
- **Private Sector Anchors** (Large private sector employers within local areas)

The different incentives and reasons for buying into the CWB agenda, differing needs, and differing outcomes could then be explored.

We note that the current EDAS guidance focuses on the Local Authority as the lead actor in CWB. We would recommend that further **guidance is published on how CWB might operate at differing scales and in differing contexts**, noting that the experience of CWB in the Western Isles highlights that whilst the five pillars remain relevant, the implementation is significantly different as it builds on a different culture, history and embedded way of working, in comparison to how this might be implemented in the central belt. DTAS members are majority rural (although there is a significant urban contingent) and many function as community anchors in areas of lower population density and would see themselves in the lead in delivering and implementing CWB and acting as anchor institutions for a whole range of other community organisations and microenterprises. We would wish to refer to the “Community Wealth Building in Rural and Island Scotland – Report from the practitioner roundtable December 2021” published by Scottish Rural Action, David Hume Institute and Inspiralba in 2022. This is a starting point on what contextualisation for rural and island Scotland might look like, as it considers the idea of indigenous wealth strategies, informed perhaps by the work of the Democracy Collaborative with Native American communities in Pine Ridge, USA, or by the [WealthWorks](#) regional wealth building work from rural USA.

It seems vital that **guidance should be included on how to embed co-production and partnership working from the outset**. We recognise that coproduction gets harder, the bigger in scale CWB initiatives get, however this is a challenge which must be overcome for CWB to truly live up to its name. Our members feel disempowered in participating in local economic democracy currently, and the experience of the missed opportunity of participatory budgeting is a case in point, so this is an

opportunity to rectify that. We would suggest that such **sections of the guidance should be owned and authored by community led organisations**, based on their experience, with public sector anchors firmly in listening mode. As a counterpart to this, guidance specifically for community anchors on how to engage in local economic democracy and work with the public sector on CWB, again authored by the third sector, may be of use.

The topic of culture change in the public sector is one which cannot be legislated on, however guidance for public sector on how this might be achieved, building on lessons from N Ayrshire or Preston may be helpful.

There is a risk that statutory guidance may lead to bureaucratic overload in the public sector, already burdened with compliance across a range of areas, and not resourced fully to implement change. Statutory guidance may restrict the flexibility needed to recognise that CWB action takes place at a range of scales, and in a broad range of contexts. However we recognise that alongside legislation it may be that statutory guidance is helpful in clarifying what specific actions the public sector should take in delivering on a public sector duty so DTAS would support statutory guidance to interpret the duty into action and manage interactions with other legislation, alongside broader guidance for all sectors as described above.

## **Q2. a) Non-legislative measures**

*DTAS recommends a number non-legislative measures*

### **Democratic reform process to embed economic democracy and community empowerment**

The much-delayed process of local governance reform (Democracy Matters 2) could be key to unlocking a more democratic economy if brave action is taken. Local authorities in Scotland are often too big and too remote from the communities which they serve to know what the economic aspirations of a community are and how to unlock those. **Further devolution and decentralisation of power and funding, to a lower tier of governance** would facilitate this, indeed in some places this role is effectively already filled by the local Development Trust (particularly in rural and island communities). They are able to respond to needs, priorities and opportunities more nimbly and in a much more participative way. This would put Scotland in line with some of the Nordic countries where municipalities of a few thousand people are common, and on a par with the scale at which some Development Trusts work.

The findings of the **Community Planning Partnership inquiry** must also be acted upon if these structures are going to have a key role of coordinating CWB in localities.

DTAS would like to see a clear, **long-term strategy for democratic and local governance reform**, and a commitment to implementation.

### **Core, sustainable funding for community anchors.**

Accepting the current financial climate, but acknowledging that this issue is one of the biggest constraints on the capacity of our members to engage in CWB, we must look at strategic solutions beyond the usual scramble for the ever-decreasing pot of grant funding. Lessons from members who **own productive assets** such as wind turbines, hydro schemes, or busy and well used built assets demonstrate that once a member has such an asset, this can give them a measure of security, through unrestricted funding, to take on staff, build capacity, and gradually grow new income generating projects and shift away from grant dependency. This is an issue which sits across multiple pillars – it **requires identifying productive assets in a local area, identifying the finances available and providing the support and capacity to purchase and repurpose the asset** - but the impacts are positive on a community anchor's ability to generate good employment and engage more in public service delivery. This will be expanded on further in specific pillar responses.

However, whilst grant funding is still in play, moving away from short term funding towards **multi-year grants, and devolving funding directly to communities** delivering their own priorities must be implemented. There is an opportunity cost to funding the necessary capacity needed but this is likely to pay off in the long run in the same way that preventative spend can impact positively on reducing the need for public services downstream of an issue.

### **Capacity building and brokerage**

If community anchors are to take on and run more productive assets and deliver more CWB activity in their localities and engage with democratic finance, then their capacity must be considered. Community anchors are led by volunteer boards, and services are often delivered by volunteers alongside or instead of paid staff. There is a clear need to support existing governance training, peer learning and best practice, work on succession planning across the sector and strengthen existing support available through DTAS and other intermediaries. Engaging with academics on this will deepen our understanding of what good governance looks like and celebrate the success of Scotland's

volunteer led community organizations. This has relevance across all of the pillars and is referenced in pillar specific responses.

Scotland has a long history of support for social enterprise, and this has resulted in a broad, but sometimes confusing ecosystem of business support which has grown up in parallel to the ecosystem of support for more traditional business. There are opportunities to refine and coordinate this better (including within government), and to continue to **build on the long-standing tradition of investment in capacity building**. This cannot be seen as a luxury in a time of budget cuts.

Membership bodies such as DTAS, Social Enterprise Scotland, and place-based bodies such as the TSIs and Social Enterprise Networks could have a new role in **brokering or facilitating contact between public bodies engaging in CWB in particular places, and are keen to partner with community anchors**, for example through some kind of community portal (see also the response to the Spending and Inclusive Ownership pillars)

### **Culture change in public sector bodies**

Culture change in public sector organizations cannot be legislated for but culture change and leadership at all levels in all types of anchors is often cited as a key factor in successful delivery of CWB initiatives. Having **champions in key positions and** ensuring that staff in large public anchors are supported through **nationally rolled out training**, could be part of the picture. Building a culture of trust and collaboration between our members and their local authorities would be the foundation for better partnership working of the type required to deliver on CWB's objectives. Currently, too often, our members are reporting that they feel let down by local authorities based on delays to the planning process, inexplicable planning decisions, lack of funding for crucial infrastructure, a perception of slow and inefficient bureaucracy, and a lack of flexibility. Sometimes even outright obstruction. Some report that local authorities can act as competitors for scarce funding. A **national training programme for public sector staff could focus on collective/collaborative working practices and embedding CWB**. This could build on the legacy of [Collective Leadership Scotland](#). In the same way that the Sustainable Development Goals have inspired the national performance framework, perhaps the [Inner Development Goals](#) could feed into this training in the "soft skills" necessary.

### **b) Are there specific actions required to advance delivery of the items contained within the Shared Policy Programme outlined on page 11?**

Responses to these particular items will be covered in responses to specific pillars.



### Q3. Spending pillar

**Yes - DTAS recommends some further strengthening of procurement legislation and guidance**

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#### *What our members say*

*Our member survey indicates that 90% of those responding do not deliver public contracts, however, 54% indicate that they may be interested in doing this in the future with the right opportunities and the right support. Only 3% of responders said that they considered themselves experienced at bidding for and winning public contracts.*

*In this context too, capacity is a major issue as many members are volunteer reliant and operate without staff or with skeleton staff, and there is little experience within the sector of tendering for contracts. There is awareness of support through the Supplier Development Programme or Just Enterprise (and previously Partnership for Procurement), but members are often firefighting just to stay afloat, or keep projects and staff funded so it's not a high priority, despite the potential benefits for members as well as the public sector.*

*One member suggests that Development Trusts "should be courted by the public sector" and proactively encouraged to engage in public contracts as there is "huge benefit to the public sector". They suggest brokerage at a local level to work with members and other community enterprises to proactively explore who might be interested in developing particular goods or services, and who might be potential partners for consortia development to bid for and deliver at required scale. There are lessons to be learned on investment in capacity building for procurement from CWB projects embedded in Ayrshire Growth Deal.*

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#### **Potential Legal Changes**

- Legal requirement for a **third sector partner in all large contracts** or, at a minimum, the weighting and monitoring of community benefit outcomes.
- **Longer lead in times** from a contract being announced to deadline. Minimum 12 weeks.
- More **contracts to be broken up** to a scale accessible to the third sector.
- A **% of all public contracts set aside for a community investment budget**. Participatory budgeting exists but only at a very low level.
- A minimum of **5 community representatives around the table on local or regional procurement strategies**.

#### **Responses to specific suggestions in the consultation paper**

The consultation paper suggests that the SG "review the national, sectoral, local and regional frameworks and contracts to ensure that the arrangements in place ensure logical groupings that facilitate access to SMEs, the third sector and supported businesses". DTAS would agree with this to allow the issuing of more local contracts.

On the recommendation that there is "further investment in supplier development capacity and to improve knowledge of local suppliers within anchor organizations", DTAS would agree - there is **still much to do on supplier development capacity in the third sector**. We also recognize the need to **improve knowledge of local suppliers within public and private sector anchor organizations**, and DTAS would be keen to have a brokerage role in helping our members set up consortiums or co-ops to bid for contracts. This could be through local community investment portals for example.

On the point that there should be “investment in capacity to support linkages between local procurement teams and economic development”; DTAS would agree but with the caveat that there are often systems or programmes set up, i.e., Thriving Places, that don’t need additional staffing and it would have been more effective to **invest directly in the community anchors and pay them to drive this forward**. Another area where secure core funding would free up staff capacity to engage in procurement activity.

DTAS would agree with the suggestion to “explore opportunities for joint procurement between anchor organizations” but would advocate for a recognition of the different role of community anchor orgs. The SG must **ensure that the third sector is better represented at city region deal scales from the beginning of the contract design and procurement process**. However, caution is required to ensure that joint procurement between large anchors doesn't lead to larger scale contracts, out of the reach of the third sector. The **Public Social Partnerships** model may be of use in this context.

DTAS agrees with the suggestion to “develop the content of annual procurement strategies and reports to demonstrate how the procurement activity of individual public bodies contributes to CWB”. This should be in tandem with a **more integrated local governance system** which includes the third sector and provides accountability on procurement.

The point on shifting to “an improved focus on place-based thinking in the use of community benefits and reporting to reflect how this is being achieved” is valid, but it must be a fair place-based approach with **the majority of those involved in the design of these place-based strategies being third sector or community representatives**.

### **Reasoning**

The experience of our members and the sector at large is of incremental improvement in sustainable procurement, following on from relatively progressive legislation. However, the legislation has not driven the kind of fundamental shift that many in the sector would wish to see. There are also concerns that public bodies can see third sector delivery, reliant on volunteers, as a cheap way to deliver services.

There is a case for reconsidering the purpose of public procurement. Currently it is set up to deliver goods or services at best value to the taxpayer with aims such as net zero, fair work and community benefit seen as added value to the end result of the good or service procured. **In a Wellbeing Economy, there is the case for considering the central purpose of public procurement to be the realisation of community wealth**, with the processes, weightings and targets in service to that goal, acknowledging that if you meet this aspiration, then you may well reduce the need for many of those public goods and services in the first place (harking back to preventative spend and the Christie Commission, as well as the idea of reducing “failure demand”), tangentially delivering best value to the taxpayer. This would require a major revamp of public procurement legislation beyond what is suggested above, however, would be truly transformational and in keeping with the ethos and model of CWB.

It is important to recognise the additional social/ environmental/ economic value of organisations like Development Trusts delivering on a contract, rather than the private sector, in terms of stickiness of wealth and capacity building in sector.

Currently it is an easier option for institutions to put out large scale contracts that attract larger companies, which is easier to manage as they only have to deal with one supplier. Although this is an easier option, it rarely benefits communities as deeply, with the lucky communities getting a small

sub-contracting arrangement, potentially some community benefits, or nothing at all. For example, recently, employability contracts were tendered nationally. There was some involvement of placements or training, and community organizations were asked to provide those but got no financial support. This is mistakenly considered to be “building capacity in communities” but it often takes away resources as it is not appreciated how much support is provided, unfunded, by the community organization.

Contracts often cover a large geographical area which means it excludes third sector organizations that are focused on one community/place. Although there is an understanding that this is often done to get a better price for delivery of certain services, community organizations can often deliver at a lower cost and with additional outcomes delivered. For example, national or city-wide recycling contracts can exclude community reuse organizations due to the capacity that needs to be built and/or partnerships formed before those organisations can hope to bid at the appropriate scale.

Contracts in particular sectors, such as childcare, social care or housing, can have particular regulatory burdens which are a hurdle for many smaller community anchors to meet, potentially excluding large parts of the sector from delivering in those sectors. There is a discussion to be had about the how this can be overcome without compromising on service standards, and recognising that lower regulation just applying to one sector can be seen as unfair to those in other sectors competing to deliver the same services. Some members however have discussed the difficulty of competing with a council’s own ALEO for public contracts, or the difficulty of accessing preferred bidder lists.

Timescales can be a barrier - in some cases, there could be the possibility of smaller organisations coming together to tender but the timescales for most contract submissions is 6 weeks. This doesn’t give enough time for organisations to set up consortiums/co-operatives and again favours larger, private sector organisations as well as established consortia. Timescales should be increased significantly.

It is risky for the third sector to invest time and energy into procurement processes without a guaranteed result, and the public sector perceives it as risky to contract with smaller organisations in the sector. A broader programme of capacity building in procurement for the third sector could mitigate some of this for the sector to some extent, as well as supporting consortia formation to share the risk. Bridging finance may have a role in helping with cashflow issues. Reframing the purpose of procurement or having explicit targets on procurement from the third sector, and a duty to report on this, as well as a recognition of wider concepts of value could mitigate this for the public sector.

There are a few examples out there of consortia or cooperatives set up to deliver on public services, but these are few and far between (one example is [GECCO](#) made up of Development Trusts in Glasgow to deliver on GCC contracts, see case study below). **DTAS would like to see further pilot projects to match for example a DT which has aspirations to deliver more, and a LA or public body such as NHS who are willing to work with them to develop, for example, a commercial laundry operation such as in the Cleveland example.** Success factors for GECCO were:

- Consortium or co-op is already set up prior to procurement and bidding process. Includes shared policies and trust in each other’s abilities. Lead partner required in most cases.
- Risk; procurement process allowed for a shared responsibility, and shared risk.

#### **Case Study:**

**Glasgow’s Empowering Communities Co-op (GECCo);** secured funding for a consultant to work with 4 development trusts across Glasgow in the North, West, South and East of the city. Due to contracts from Glasgow City Council and others always covering the city and/or wider areas, there was a need

for community orgs to come together and be able to cover the city without the need for any of them growing bigger and wider than their community. The partners worked together for around 2 years to develop shared policies, common development opportunities and interests. Not only is this contract creating training and helping people into employment, but all surpluses are also put back into the communities where they create a wealth of social and economic impacts benefiting all age groups. This then reduces the amount of funding that each organization is seeking in grant funding from SG and others.

Similarly, there may be an appetite for **partnerships between municipal enterprises and community owned enterprises**, around renewable energy for example. Pilots would scope out what's possible and create a bank of learning and resources to deepen practice across Scotland.

Finally, community benefits are included in contracts, but not weighted, and rarely monitored. If community anchors were the ones delivering on these contracts or in a fair partnership/sub-contracting arrangement, then the money flows in to and stays within a community because it is a core part of a community anchor's role and objectives (not just a side note). A good practice example here would be for employability and training providers to be provided with all the information from contractors of a public sector anchor (in this case it was Glasgow CC), who then follow up to place people or send applications for jobs that were to be created.

## Q4. Workforce Pillar

**No - DTAS does not suggest further changes to the law**

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### *What our members say*

*Many of our members are employers themselves, as community anchor organisations. They are committed to implementing Fair Work policies, and some comment that they have done so in recent years. However some members also report that they struggle to pay the living wage, and responders reflect on short-term contracts, working beyond their hours, use of self-employed people, minimum wage and insecurity of funding leading to losing good staff to more secure employment. A good part of many development officer's jobs is fundraising, for their own salaries, core costs, and then projects on top of this. Members commented on the impact of missing out on funding in the recent Investing in Communities Funding round, which was massively oversubscribed.*

*Those members who are not employers currently, often wish to take on staff to be able to move more quickly on their community action plans, however the major constraint is funding.*

*Members, particularly those in rural and island communities, report on the widely known issues of housing availability and transport infrastructure as a major challenge in attracting and retaining staff. One island member reports that there are more jobs available than there are houses to accommodate people to carry out the work. Many members are taking matters into their own hands on affordable housing and many responders (and wider in the membership) are working on affordable housing projects.*

*There is a mixed picture of availability of appropriate skills development and training opportunities, with some members located in or near major cities, finding it easy to access opportunities for their staff and volunteers, but others, located in rural areas, finding it less easy. Several members comment on the need for tailored training opportunities for the kinds of issues faced by typical development trust staff.*

*A few members responding commented that they are involved in employability projects to some degree, and there is an appetite to do this more, working with statutory partners but a perception of a lack of joined up, place-based thinking and partnership working.*

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### **Suggested Changes**

Whilst there are not necessarily any further legal changes which we would suggest as part of this Bill, there are some areas where practice could be improved.

- **Anchor network fair work charters** – We are supportive of local or regional fair employment charters as set out in the consultation document, challenging organisations in a locality to focus on fair work principles and employ locally where possible. We will encourage our members and the third sector to do more in terms of signing up to this agenda but also recognising the constraints they face particularly around implementing good pay and conditions.
- **Secure core funding for community anchors** – This was touched on in our points under actions other than legislation in Q1 and is relevant across all pillars as it's so fundamental to the capacity of our members. **Secure funding for community anchors must be based on**

**revenue from a productive community asset and contracts**, as well as grant funding. This is a virtuous circle once it gets going and can sit at the heart of the foundational economy.

- Where grant funding is still appropriate, a shift to **long-term and unrestricted grant funding** for community anchors is more conducive to good employment and fair work, than short-term project funding. This could be done through devolving some local government funding directly to communities, or pooling various budgets from across the SG and wider public sector to focus better on place.
- **Joined up, place based and community focused local employability and skills initiatives** – one of the roles of an enhanced community anchor organisation could be as a focus for employability and skills initiatives.
- **Skills and training specific to the roles found in community anchors** – Social enterprise, and enterprise skills are now taught as standard in our [schools](#), and this will increasingly give a good grounding to younger generations in community enterprise. The current workforce in development trusts have often moved from other sectors, and while there is piecemeal training available, some coordinated thought about a particular skills track or career path around community/social enterprise and development trusts would be a welcome addition to the capacity of the sector. This could be through colleges, or a renewed focus on CLD. Volunteers, particularly those in board positions, are crucial to the success of a community anchor. It is important to expand on, coordinate and deepen the knowledge of and practice of third sector governance in Scotland (see also response on inclusive ownership and finance pillars).
- **Commitment to tackling the wider issues which impact on good employment in a place** – for rural and island issues this takes us straight to the land/assets pillar and the challenge of tackling the rural housing crisis and infrastructure challenges. Where the strategic and joined up approach of Community Wealth Building comes into its own is its ability to see these issues as all interlinked, you can't tackle one pillar in isolation, but recognise the complexity of the system requires complex and multifaceted responses.

## Reasoning

Lack of secure income is a common issue across the social enterprise and third sector where most do trade to some extent but many are reliant on grant funding of one kind or another. Many staff are on fixed term contracts of a year or sometimes slightly more, allied to a particular grant funding stream, but in a climate of financial restraint, and reducing availability of grant funding, job security is an issue, constraining the ability to build staff capacity and retain good staff. There can be an over reliance on people's good will towards a community or cause either through using volunteers in roles which should be paid, or in part-time staff working more than contracted hours on a regular basis. As anchor institutions themselves, again, more secure core funding would be an answer to this.

Whilst we argue for secure funding through productive assets, grant funding does still play a part. Members who have had three-year funding under Investing in Communities Fund previously, but who were not successful at this round and have not been able to secure a sustainable source of core funding during that period, stand to lose all the gains, and all the staff they have employed and trained during that period, having a massive impact on individual organisations. The demand on ICF clearly illustrates the need for this type of funding, as it can catalyse economic development. However, it does need to have tailored support alongside it to make sure that a key outcome of this funding is a sustainable and diverse income base to avoid the cliff edge for the organisation at the end of the funding period if replacement funding is not secured.

Putting employability investment into community anchors to deliver employability programmes could create long term community placements, across multiple local third sector organisations, building capacity for those organisations, and for the host community, as well as benefitting participants. Any surplus from employability contracts is then ploughed back into community and participants in these programmes are embedded in their communities, not dislocated. Many employability projects for people living in areas of multiple deprivation have had the effect that people move out of these areas as soon as they get a job or move in when they lose a job. Building social and financial capital in community anchors in these communities can enable communities to be able to pay people to stay on as employees post placement.

Some good practice examples - [Inspiralba](#) has been leading on employability, apprenticeships and graduate placements in the third sector in Argyll & Bute. [Go Beyond](#) in SW Edinburgh, as a grassroots CWB initiative, whilst it's focus is broader than on employment, demonstrates what can be done through community anchors, especially when they coordinate, to build social capital in a place. [Community Jobs Scotland](#) was a very successful initiative which could offer a model for how to integrate employability into the community and third sector and delivered more than 10,000 jobs in the voluntary sector over the 11 years that it ran.

In rural areas, one of the significant barriers to workforce development and retention of a skilled, year-round workforce, not solely dependent on tourism, is the availability of housing, due to the numbers of second/holiday homes. Changes to the law around planning and devolved taxation could ensure that people working in the sector, and in key roles in the public sector such as social care, teaching, health, could have their housing needs met in an affordable way, alongside the building of more council or social housing, or affordable private housing. Community anchors are tackling this issue, but there are many challenges to overcome, not least that they are low on capacity in terms of staff and volunteers, and skill shortages in the construction industry in some areas. Tackling key infrastructure challenges such as transport (Calmac, public transport in rural areas) is also essential in supporting a rural workforce.

Certain sectors offer both challenges and opportunities to community anchors in coming years, and many are already moving to meet these. One example is the increasing need for social care, and the opportunity to think more broadly about health care through social prescribing, befriending and wellbeing services, to reduce demands on health and social care. Our members, many of whom identify availability of social care in their ageing populations as a key priority for them, can be and are involved in delivery, and provide services around befriending, social isolation, social prescribing, community care and developing expertise and skills along the way. This is another part of the foundational economy (along with childcare), which must be human focused, community based and the foundation of a skilled, caring community infrastructure. Not one where private companies seek to make the maximum profit and pay the minimum wages. Models such as Buurtzorg and Supportmatch Homecare in Cornwall may provide ways for our members to get involved in this sector.

## Q5. Land and Property Pillar

**Yes - DTAS recommends further changes to the law**

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*What our members say*

*Many DTAS members, and clients of the Community Ownership Support Service and Community Shares Scotland have bought, are in the middle of buying or wish to buy land or assets (or take on assets through asset transfer).*

*Many of these who responded to the survey highlighted the opportunities but also the challenges at all stages of this, with some, often rural members struggling against the concentration of land ownership in a few private hands meaning that they find it hard to access the land and assets to match their aspiration. Or those near vacant and derelict land which they would like to bring back into productive use but find themselves blocked or faced with impossible costs for making sites safe.*

*Local Authorities are sometimes described as enablers, but more often are blockers who can sometimes be either unwilling to identify or transfer land and assets, sometimes actively obstruct a process, or lack in their own knowledge or capacity. Members reflect on the brokenness of the housing market, particularly with rural second/holiday homes and the impact on affordable housing, communities and depopulation. There is support for further (and some argue “radical”) land reform.*

*Those who have been through an asset transfer or CRtB suggest that timescales and processes need to be looked at, using words such as “tortuous” and “arduous”, and speed of access of SLF improved to keep up with the speed at which sales happen. Organisational capacity is, again, noted as a limiting factor to a community’s ability to go through these processes and then own and run an asset. Support from COSS and DTAS is welcomed, and suggestions are made around for example free legal support for communities purchasing land, early-stage support from Councils, and a clearer idea of which support offer to engage at which stage.*

*Those who have bought assets highlight the benefits and challenges, from being able to meet the aspirations of communities to build social housing, run halls, generate income from renewable energy and forestry, grow food, and regenerate woodland. There are also challenges however in terms of post-acquisition costs, and the current running costs crisis.*

*Members noted that it has become harder to access rural land as prices have risen, and the speed of sales increased due to investors and wealthy individuals snapping up rural land for natural capital projects and rewilding.*

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### Existing legislation

From a Community Wealth Building perspective, the land and property pillar is already underpinned by a significant legislative framework with the Land Reform (Scotland) Act 2003 and 2016 and the Community Empowerment (Scotland) Act 2015. Within the current Parliamentary legislative programme there is also provision for a new Land Reform Bill.

**It is important that new legislation on CWB does not undermine or dilute the existing legislative framework of community rights and the underpinning policy intent.** For example, the Community Empowerment Act gives communities the right to request the transfer of any public asset on the basis of management, lease or ownership. The presumption is in favour of communities and there is a backstop appeal to Scottish Ministers. **Access to public land, unless this is the basis on which the community wish to proceed, is not the same as ownership** and the right to seek the transfer of public



assets into community ownership should take precedence over any other access rights that may be introduced in the CWB legislation.

### **Compulsory Purchase Powers**

It is indicated in the consultation on Land and Property Pillar that consideration will be given to the case for introducing alternative land assembly mechanisms such as for compulsory sale orders. **DTAS welcomes the commitment to consider the case for compulsory sale orders and sees this mechanism as a potentially powerful tool to bring land/buildings back into uses which contribute to CWB.** Further, this would be particularly so if combined with –

- **A requirement to give notice to community bodies in the case of a compulsory sale order being taken forward.** This would give communities the opportunity to prepare to bid for any such land to be taken into community ownership at that point.
- **The right for appropriately constituted groups, such as those defined in the Community Empowerment Act, to ask their local authority to initiate a CSO.**
- **Consideration be given to the process/ eligibility to avoid prohibiting community initiated CSO on smaller sites.** Currently the vacant and derelict land register requires sites to be at least 0.1 hectares. Communities are far more likely to be interested in sites that are much smaller than this - the ones causing blight such as gap sites, derelict shops and abandoned land wraps.

By introducing a compulsory sale order, in some cases this may provide a considerably easier route for communities than initiating a community right to buy abandoned, neglected and detrimental land in urban areas. DTAS sees the introduction of a community initiated CSO as being an additional tool to the rights provided under the community right to buy legislation and is keen that communities retain the ability to initiate their own action in relation to securing assets.

### **Abandoned and Derelict Land**

*As highlighted, tackling vacant and derelict land and buildings to support regeneration including within town centres, increase community wellbeing, create employment opportunities, tackle climate change and protect our natural capital is a priority.*

The current review of the Community Empowerment (Scotland) Act will undoubtedly identify the challenges for communities in exercising the Community Right to Buy abandoned, neglected or detrimental land. However, more broadly there needs to be **more effective measures to get abandoned/neglected land into community ownership.** From our experience of delivering the joint Vacant and Derelict Land Pilot project in conjunction with the Scottish Land Commission, we believe that these non-legislative measures could include –

- **Capacity building support** with access to skills in dealing with areas such as deteriorating buildings, potential contamination and complicated ownership structures which can make contacting the landowner challenging.
- **Fostering collaborative approaches between the public sector and communities** in sharing the risk of developing out the sites. Both parties bringing unique skills and perspective to the development.
- **Include measures/ targets** linked to bringing smaller sites back into productive use.

As with the compulsory sale orders, DTAS sees these measures targeting smaller sites than those on the vacant and derelict land register < 0.1 hectares.

## Land Value Capture

Linked to land value, there is a case for **more transparency around what developer contributions have been agreed for different developments**, including making it standard practice for s69 or s75 agreements to be uploaded to the planning portal for relevant planning applications, making this information readily accessible, and also for more public involvement in identifying what contributions are needed. For example, the newly adopted Aberdeenshire Local Development Plan notes that any new development in Stonehaven will need to contribute to leisure facilities and invites the community to identify where in particular these resources should be directed through a community plan. This is something that will now be looked at as part of the preparation of a Local Place Plan for the town.

In Aberdeenshire, another example would be the creative use of planning gain to support the long-term maintenance of the Ellon Castle Gardens. The s75 was innovative in that it gifted land and a commuted sum for the upgrading of that land to a community group, together with 6 flats to enable the rent from those properties to be used in the long-term for the upgrading / upkeep the grounds. To off-set this cost to the developer, an allowance was made on the amount of affordable housing that had to be provided by the developer, ensuring 'neutral-cost'.

This development has been completed and the castle and gardens are being successfully restored and managed by the local community. Aberdeenshire Council agreed to transfer ownership of an additional area of land to further enhance [Ellon Castle Gardens](#) aspirations for the land.

## Planning Fees

Given the role of neighbourhood community anchor organisations, such as development trusts, in community-led place-making, it would seem appropriate to allow them to benefit from the **same reduced planning fees as community councils**. The cost of submitting a planning application, particularly since the recent increase in fees, has the potential to derail projects that could otherwise contribute to CWB.

## Community Right to Buy Legislation

DTAS notes that the new Land Reform Act is going to look at long-standing issues relating to the highly concentrated patterns of land ownership in rural areas. Proposed measures include –

- The introduction of a public interest test for transfers of large-scale landholdings
- A requirement on owners of large-scale holdings to give prior notice to community bodies of their intention to sell
- A requirement on those seeking land-based subsidies to have the land registered in the Land Register, to ensure transparency around who benefits from public funding
- Strengthening the Land Rights and Responsibilities Statement

While these proposals for the new Land Reform Act are welcome, we also noted within the consultation for this new Act, that further changes, particularly those impacting on communities in urban Scotland would be picked up in the Community Wealth Building legislation. An **update to the existing community right to buy legislation is required to reflect the nature and challenges faced by urban communities seeking to secure land**. These include -

## Defining the Appropriate Community

There are potential issues around the setting of boundaries in different communities with an interest in a particular asset, and how this relates to accessing or using community rights.

DTAS previously flagged up an inquiry from a group of people in Dunfermline. This case raises a question about how the community boundary in relation to a particular asset(s) is determined in large towns and possibly cities. In the case of Dunfermline, the interest was in bringing empty shops and property in the town centre back into use as part of supporting town centre development. The issue was that while the people involved lived in Dunfermline, none of them lived in parts of the town which could be remotely described as ‘town centre’. The implication was that to utilise the community rights, the group would have to set up a Dunfermline-wide organisation, which would present major challenges in relation to engaging the wider community in the project, and evidencing community support (petition and ballot) as part of the CRtB process.

This is also true for Midsteeple Quarter in Dumfries where the population of the town is 40,000 – it would be impossible for a community organisation to conduct a ballot at this scale with the required response rates.

Another situation which has come to our attention is where an established organisation covers a reasonably wide geographical area (e.g., Isle of Mull) and the asset being pursued is only of interest to part of the community (say people within the town of Tobermory). The logic of the CRtB legislation is that people in Tobermory should establish their own organisation to take on the asset, but this is not always the best, or most efficient option, for the community concerned. Again, this is likely to be much more of an issue (or potential issue) for community anchor organisations such as development trusts.

All three situations detailed highlight the complexity of defining the appropriate community and we anticipate that this will increasingly become a challenge for communities.

An example of an alternative approach has been taken to defining an appropriate community was in the former National Forest Land Scheme where a community could be regarded as eligible if there was a demonstrable connection to the land.

### **Inclusiveness**

Perhaps the main issue in relation to inclusion is how the insistence of the use of the electoral roll within the community right to buy process is working, particularly in some disadvantaged communities. This can effectively **disenfranchise significant numbers of people** (refugees and other residents who for various reasons are not on the electoral roll) within their community.

### **Post-acquisition Support – Facilities Management**

While much still needs to be done to reduce the highly concentrated pattern of landownership, the sustained support for community ownership over the last 20 years has resulted in relatively high levels of land and building assets being held in community ownership. The Facilities Management pilot project currently being delivered by COSS has confirmed the need and strong demand for post-acquisition support. The pilot programme is currently tightly focused on facilities management; the technical, operational and environmental efficiency of buildings. The early findings from the programme are that this expert intervention and capacity building resource has the potential to significantly improve the sustainability of existing community owned and managed buildings.

By its nature, this pilot is relatively limited in scale and to capitalise on its success it needs -

- **Resource for the continuation and scaling of a post-acquisition service**, making it available to all community asset owners. This should include expert intervention – systems and environmental audits, mentoring, peer support and training.

Ultimately, this resource will assist asset owning communities to protect, sustain and develop their land and buildings assets into the future.

## Q6. Inclusive Ownership

**Yes - DTAS supports changes to legislation although recognises this mostly relates to reserved matters**

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### *What our members say*

*Many of the comments from members, when asked what could be done to strengthen and grow inclusive ownership, echo comments made earlier, namely, the need for secure core funding, and an increase in capacity building. In particular, members recognise the need for capacity building for strong governance, with board members made up of volunteers who would often benefit from bespoke skills and training. One member suggests the need for civic training in educational settings to build the next generation of community wealth builders. Current depth of community engagement is celebrated and recognised as important to true inclusive ownership of the economy.*

*More broadly, members agree that raising awareness is a priority, and that inclusive ownership models, such as development trusts should be “promoted, supported and celebrated”.*

*Another member puts it well:*

*“Not everyone backs the idea of inclusive ownership, the lure of private gain and capitalism is very strong in our society which means private business is held up as the best and only model by many. Educating our population (including through schools) on how our economy works and alternative models to the norm is essential if we are to challenge the traditional model. Consumers have huge power to change our economy but if they are not educated or motivated to do so then we remain at the mercy of big business and greedy profiteering.”*

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Inclusive ownership is at the heart of the development trust movement. DTAS’ core mission is focused on establishing fully inclusive, community-owned and led enterprising organisations. Development trusts are inclusive, membership-driven organisations working in a defined geographic community. Their membership democratically elect boards or management committees, which must have a majority of local residents. Development trusts utilise community engagement activities to establish local priorities and inform the ‘community agenda’ to which they are working. In this way development trusts are driven by, and accountable to, their local community. They are inclusive organisations, working with, and involving all sections of the community.

As enterprising organisations, development trusts seek to generate income streams and produce surpluses. However, any profits generated are not distributed for private gain, but instead are reinvested in the organisation or community, and this arrangement is enshrined in the inclusive governance model of the development trust.

### **Potential legislative changes**

DTAS is supportive of Marcora type laws and employee right to buy, recognising the limitations of legislation largely being reserved. Many communities have in recent years bought out their local shop, pub or post office to preserve local services and employment, where losing these would have a detrimental impact on a community. DTAS would like to suggest consideration of adding a community right to buy of a business to increase community ownership of local businesses and preserve employment in a community, whether urban or rural. These could be owned by the community as

trading subsidiaries of development trusts to generate income, or “spun out” into social enterprises or community cooperatives, broadening the base of ownership in particular places. Careful thought would need to be given to appropriate funding for such buy outs, whether public funding is involved or community bonds or social investment.

### **Non-legislative suggestions**

#### **Raising awareness of the importance of open, 2-tier governance structures**

An inclusive governance structure is one of the key hallmarks of a development trust. Development trusts must have a 2-tier structure, meaning their foundation is a broad and inclusive community membership, which democratically elects a Board to manage the day-to-day activities. The criteria for full DTAS membership include:

- A 2-tier legal form – either CLG, SCIO or CBS
- Open membership - representative of the geographic community & non-discriminatory
- Evidence of pro-actively growing membership through inclusive community engagement
- A thriving Board - democratically elected by membership
- Rules to ensure the Board cannot make key decisions without member agreement

**Every community in Scotland should be offered the support and resources needed to establish a development trust if they wish to.** DTAS believe that a development trust is the most appropriate governance structure for community led economic activity – particularly where a community is taking on a significant asset or is in receipt of community benefit funds. DTAS will be introducing a Standard Mark for development trusts in 2023 to ensure that best practice principles are used when establishing and supporting the growing development trust network across Scotland.

#### **Raising awareness of the specific strengths of the Community Benefit Society Model**

DTAS, through its Community Shares Scotland programme, is a keen advocate of the community benefit society model and sees it as **particularly well suited to inclusive ownership of enterprise.** Community benefit societies (CBSs) are owned and democratically controlled by the communities they serve and must use their assets and any surpluses to further community benefit. A CBS may issue community shares, enabling its supporters to collectively own the organisation and to share in its governance.

DTAS has worked to create governing documents for CBSs that are particularly well suited to a Scottish context. Our ‘charity model’ can be used to register a standalone CBS, particularly one seeking charitable status, while our unique ‘hybrid model’ creates a formal link between the CBS and another organisation, such as an existing development trust. Both models seek to enshrine ownership and control by a locally representative community with provisions to ensure open, accessible membership and a majority of members resident in the local area.

#### **Capacity Building:**

- **The importance of governance training and strategic reviews for Boards** – this is a key issue within development trusts and wider across community anchors and the third sector. Whilst DTAS provides board member training, and offers a strategic review, we recognise delivery capacity is limited, and that training needs to incorporate the “soft skills” of managing conflict, collective leadership and communication as well as more skills-based training.

- **The importance of funding for development staff for development trusts** - this has been covered at length elsewhere.

### **Increased inclusive ownership of developer led renewables**

Community shared ownership is where a community organisation invests in a share of a developer led wind farm. Profits realised from the shared ownership further the aims of the community organisations meaning the benefits are shared across the local community. Community organisations may raise money locally through share offers, loans or a combination of these.

There has been some good progress made in shared ownership through the support offered by Local Energy Scotland, but we recommend the following to ensure more offers are taken up:

- **Consistent support to establish a development trust or appropriate community led body** (in areas not currently represented by one) to build community capacity to explore shared ownership.
- Communities should be given **access to a data room with sufficient information to appraise the investment opportunity**, along with adequate time and funded support to review the opportunity, raise funds and undertake due diligence.
- Require **developers to ensure that all community bodies are made aware of a shared ownership opportunity** and not solely community councils
- Developers should agree a **Memorandum of Understanding (MoU) pre-planning** or on consent to give communities assurance that they are committed to exploring shared ownership.
- Community shared ownership is a significant undertaking for communities and won't be right for all communities. Developers should explore **flexible options to allow community organisations to investigate community investment opportunities**, including consortium and partnerships bids.
- Community shared ownership offers must be **structured to ensure a fundable commercial model that allows communities to secure external funding**. Investment must be offered at a price which is commercially viable for communities to invest
- A more **standardised approach to a shared ownership investment model** could help support more projects deliver community shared ownership investments. Standardised model(s) or a framework which can be used as a basis for shared ownership offer structures could be refined to suit the individual specifics of the developer, funder, or community group.
- Create a **shared ownership register** which developers are required to update with their offers to support wider awareness in communities.
- A pot of **funding that developers contribute to which is available for communities**, especially those with higher levels of disadvantage, to use for things like project management support, development workers, childcare, and other things that would make it possible for a range of people in the community to participate in a shared ownership bid.

### **Sector specific growth of inclusive ownership**

The number of community shops and pubs in Scotland continues to grow, bolstered by targeted support from key partners including Community Shares Scotland, the Plunkett Foundation and Co-operative Development Scotland. The CSS programme has now supported 13 community share offers

relating to community shops and 7 relating to community pubs, with several more in its pipeline and expected to launch over the course of the next year. A supportive peer network now exists for each sector, with new entrants able to draw on an ever-growing bank of shared knowledge and experience. **DTAS encourages further sector specific support and networks in other areas** – for example tourism, social care, housing.

### Sector wide suggestions

DTAS agrees with Cooperative Development Scotland that there needs to be much wider **awareness** of inclusive business models such as community enterprises, employee ownership, co-operatives and social enterprises. Including:

- **Educating citizens at school, FE and HE** what they are and why they are a ‘better’ form of enterprise. This was touched on briefly in the workforce pillar and builds on the work of Social Enterprise Academy and Young Enterprise Scotland.
- **Encouraging professional advisers to make clients aware** of these types of enterprises and to promote them as a ‘better’ way of doing business.
- **Banks to change their systems** to allow inclusive enterprises to be treated the same as traditional business forms
- **Government agencies, business support organisations and local authorities to educate and promote inclusive business models** to stakeholders; individuals, local businesses, community groups etc.
- Referring back to the spending pillar – additional **weighting given to inclusively owned businesses in procurement processes**.

### On resourcing:

- Intermediaries such as DTAS, Social Enterprise Scotland, delivery organisations such as the consortium delivering Just Enterprise, and statutory partners, need to be appropriately **resourced to raise awareness of inclusive business models as a ‘better’ way of doing business**. This needs to be defined as a **central mission of enterprise agencies**, particularly Scottish Enterprise, where it has been on the fringes, and Business Gateway.
- Dedicated specialist resource to **support individuals, businesses and community groups set up as an inclusive business model**. There are elements of this in place but it could be better coordinated and supporting the full range of inclusive business models
- Dedicated specialist resource to **support existing inclusive business model enterprises to grow and flourish**. Again, there are elements of this in place, however it can be fragmented and lacking in capacity.
- Direct and specific **Scottish Government led and backed support for inclusive business model enterprises** e.g. business rates and corporation tax, that better recognise these types of enterprise as purposeful businesses delivering Scottish Government’s commitment to NSET, fair work and CWB
- Further **support to community and third sector organisations, including development trusts, to form consortia or cooperatives** to bid for public or private sector contracts.
- Scottish National Investment Bank should, as part of the duty, have a mission to support the growth of inclusive business models.

Finance will be covered in more depth under the next pillar, but some specific interventions here which would support the formation of inclusive business models would include:

- A **patient funding mechanism to help businesses transition to an inclusive business model enterprise** and to help existing inclusive business model enterprises access **growth funding**



(ideally via an existing funding mechanism such as Scottish National Investment Bank (SNIB) or the proposed Scottish Regional Community Bank)

- Continued availability of **public sector funding to support the transition journey** to an inclusive business model
- Specific **start up funding** and more support for new inclusive businesses

#### **Cooperative movement and culture**

DTAS is supportive of further growth of cooperatives in Scotland and supports the recommendations made by Coops UK in their consultation response, on increasing cooperative development activity.

## Q7. Finance

**Yes - DTAS suggests there are a number of potential legislative changes**

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### *What our members say*

*We asked our members whether they felt able to access the financial assets they needed to deliver enterprising activity, only 43% of those responding said yes (and some with caveats) whereas the other 57% said no. Many members touched on the issues raised and covered in previous pillars around the short-term nature of grants and increasing difficulties in accessing grant funding.*

*In terms of other forms of finance, such as social or commercial loans, and models such as community shares, bonds or crowdfunding, there was a more mixed picture. Some had taken on a loan from a social investor but flagged issues around the interest rates charged. Some recognised that there was a risk aversion to social finance, and a lack of understanding of what was needed to access it, and confusion over whether their legal structures and articles/constitution documents would allow it. Community share offers were highlighted as a less risky option. Low capacity in some organisations limits their ability to consider the range of options available.*

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DTAS is supportive of legislation to catalyse the redirection and recirculation of wealth within, and for the benefit of, local economies. We firmly agree that money and investment should stay in a local area and be made available to support communities and businesses. We are supportive of the work that has been undertaken so far to promote specific vehicles such as CDFIs, social investment and more productive use of public sector pension funds.

While we are hugely supportive of the approach to date, DTAS' response to the finance pillar will explore an alternative standpoint and some additional mechanisms to cultivate community wealth. Specifically, DTAS are proposing a deeper level of economic democracy, rooted more firmly in communities and people.

Through our work with over 350 development trusts across Scotland we have observed that for some communities, money and wealth are considered taboo subjects. Any mention of finance, investment or growth can swiftly shut down a conversation. There is a feeling, amongst many people, that these terms, and this world of finance, just does not belong to them. Finance and funding models are too often viewed as external or elitist and wealth is concentrated in too few hands.

We firmly believe that this needs to change and the Community Wealth Building Bill presents a perfect opportunity to bring about this change. Specifically, we want to use the CWB agenda to work directly with communities so that they not only better understand their sources of wealth, but also to retain more of that wealth and have more say in how it is used.

We propose that there are a number of legislative changes, and other approaches and mechanisms that need further exploration and development to progress the finance pillar. We believe that 'democratic finance models' is an accurate label for other these mechanisms. The core underpinnings of the term democratic finance are as follows:

- **Communities better understanding the sources of wealth** and funding in their locality
- **Increased confidence in harnessing these alternative sources of wealth** – particularly as an alternative to grant dependency and non-affordable and non-flexible debt finance
- **Communities having more of a direct and democratic say** in how that money is then controlled and used

## Possible legislative changes

**Use of Dormant Assets Funds** - At a UK level, the Scottish Government could actively engage with the secondary legislation that will introduce into the Dormant Assets primary legislation (Dormant Bank and Building Society Accounts Act 2008) a 4th priority area of community wealth funds. The original dormant bank scheme was predicted to result in £400m, but contributions to date have exceeded this by 250%.

The extension of the dormant bank legislation to include other financial sectors i.e. pensions, insurance, investment and wealth management and securities will significantly increase the amount of money available from Dormant Assets.

Therefore, it is vitally important that the **new 4th priority area is compatible with the CWB agenda and allows the Scottish Government to maximize the monies going towards CWB**. This money could be used to really promote Democratic Finance as an integral part of the CWB Finance Pillar. There are currently **barriers for both supply side (investors) and demand side (enterprises) that need to be addressed** and could be a strategic use of Dormant Assets funds. This could move Scotland towards a nation of Citizen Investors as the basis for CWB

**Common Good Funds and Assets** - Make it more straightforward for communities to take ownership of or secure access to common good funds and assets held by local authorities for the mutual benefit of communities. Over time communities have lost control of Common Good Assets that have been theirs for centuries. **Common Good funds** should be available to communities as part of a wider democratic finance approach. Funds should be used to incentivize both the supply and demand sides of democratic finance.

The Scottish Government should seek to include expansive changes to **Common Good Assets ownership** in the CWB Bill. Alternatively, a **new Common Good Bill/Act** should be drafted to return all common good assets to the communities to whom they belong.

**LBTT relief for housing coops** - There are strong grounds for relieving housing co-operatives and some related forms of community-led housing from Additional Dwelling Supplement (ADS).

The information on the Revenue Scotland website says:

*“first time buyers purchasing their first property or homeowners moving from one main residence to another, will not be liable to the ADS”*

At present, neither holds true where Scots are part of a housing co-operative. But for good reasons Scottish Government has a clear policy of supporting housing co-operatives. We suggest it begins by removing disincentives and barriers to the use of this model, such as those created by ADS. ADS adds an unnecessary layer of cost for new housing co-operatives buying a property and to existing co-operatives purchasing further properties, which can only ultimately be met through personal savings and increased rent. It is estimated that ADS adds 8% to monthly rent in new private rental housing co-operatives.

Housing co-operatives are primarily a tool for renters to combine affordability with control, security and, increasingly, decarbonisation. Thus, in adding a layer of cost, ADS unnecessarily reduces a key benefit of the model. It creates a penalising disincentive for people to form co-operatives to provide themselves with affordable housing that meets their needs. In some cases, it may be making what might otherwise be an affordable and attractive housing option, unaffordable.

ADS also creates a disincentive for existing co-operatives to expand and house more people in their community. **Providing a 100% relief from ADS for housing co-operatives** would not only remove these disincentives but **would help send a signal to communities in Scotland that forming co-operatives to**

**meet their own housing needs is a realistic, viable and accessible option.** The impact of an ADS relief would be:

- enhanced ability of the housing co-operative model to deliver affordability
- more people exploring co-operative housing options and in some cases forming housing co-operatives, including greater uptake from lower income renters
- some expansion of existing housing co-operatives
- more renters in Scotland benefiting from the combination of affordability, security, control and energy efficiency/decarbonisation that housing co-operatives deliver

Furthermore, we ask Scottish Government to consider the following:

- removing the LBTT burden when a housing co-operative purchases property from a community land/development trust
- creating a partial LBTT relief for housing co-operatives buying property

### **Non-legislative interventions**

Our members survey and CSS' experience demonstrates a clear need for the following:

- more **flexible and affordable bridging finance** options to tackle short term cash flow problems
- more options for **higher risk start-up funding**
- improved (general and non biased) **advice and support** when assessing social investment options and affordability
- **finance capacity building in general.** This reflects members' reporting of low confidence and low capacity in financial management and forecasting.
- **Sector specific finance training** – for example in depth financial modelling and management courses for community shops, housing, energy, cafes, multi-purpose hubs and pubs.
- more **up-front development grants** to decrease the need for loans to cover cash flow issues
- **long term secure funding for staff** to manage the projects and enterprises – without staff groups will struggle to keep up with loan repayments

Therefore, DTAS proposes that a national **Democratic Finance programme** is established. The programme will work directly with community and social enterprises on the ground to increase knowledge and use of these additional finance and funding mechanisms that generate and capture wealth within a community.

We propose a Democratic Finance programme that will initially focus on:

- Using democratic finance to **grow community shared ownership of renewable energy** developments across Scotland
- More **productive local use of income from renewable energy developments** - including exploring investment opportunities alongside grant giving
- Piloting a **Scottish Community Shares Booster programme** to grow the community shares market in harder to reach communities and sectors. This will be based on the good practice and success of the [English Community Shares Booster](#) – with institutional investors investing into community share offers on the same terms as the community investor.
- **Increasing awareness and use of community bonds** and other more affordable and flexible debt options
- Developing and piloting **community-based legacy gifting**

- Creating a more coordinated system of **High-Net-Worth philanthropic giving** at a grassroots community level
- Awareness raising and support for organizations to utilize **community lotteries**
- Better awareness and use of **common good funds** and assets
- Expanding **donation-based crowdfunding**
- Promoting more cross community and cross sectoral investment via **democratic finance instruments**

The programme will champion a collaborative approach, bringing in sectoral expertise from other intermediaries where needed. The programme will also include a **capacity building strand** – focused on raising awareness of democratic finance models with third sector intermediaries.

The programme will be delivered by DTAS in partnership with Scottish Communities Finance Ltd. Since 2018, [Scottish Communities Finance Ltd](#) has championed community bonds as a new form of democratic finance for community and social enterprises across Scotland. Their unique model assists organizations seeking finance for renewable energy, new builds and business development and growth.

### **Programme Requirements**

DTAS aims to lead implementation of this pillar on the ground – ensuring that theory is made practical and that communities benefit directly from local wealth. We ask that the **Scottish Government commit long term support and funding to a national Democratic Finance programme**, delivered by DTAS and SCF Ltd. This will be an effective and essential investment to catalyse the community-level change needed under the finance pillar agenda. The cross-cutting nature of this programme should be reflected in cross-cutting support from both the Third Sector Unit and Community Wealth Building team.

### **Community Shares – A great example of democratic finance in action**

The Development Trusts Association Scotland has been running its Community Shares Scotland (CSS) programme since 2014. The CSS programme supports any community and social enterprise in Scotland who wishes to raise money using community shares. Community shares are shares issued by community-owned enterprises that own and cooperative businesses or assets that are vital to the local community. Community shares are typically offered to members of the local community, with the aim of engaging them in the ownership and decision-making processes of the enterprise. In turn the community business receives patient and flexible finance to kick start or grow enterprising activities.

Unlike the traditional private business approach of one share one vote, community shares operate on a one member one vote basis. Therefore, regardless of how much someone has invested (whether one share at £10, or 1000 shares at £10,000) each community member has one equal democratic voice in how the enterprise is run.

Our CSS programme supports groups at every stage of their community shares journey including:

- Legal structure and good governance
- Business planning and financial modelling
- Community engagement
- Share offer documentation and marketing
- Ongoing post share offer support

Our [Community Shares Scotland](#) programme is a great example of democratic finance in action. By supporting local people and organizations to invest in projects through community shares, wealth is retained and boosted within communities. This investment ([£19 million in community shares raised to date](#)) in turn drives mutual confidence and agency, unlocking support and investment from other previously closed off sources. This can include attracting investment from external sources, albeit with protections in place to ensure that the community has a say in how it is controlled and spent.

### **The future of Community Shares Scotland**

The community shares market in Scotland continues to grow and there is consistent high demand for the support offered by Community Shares Scotland. The CSS support offer will be a key element of a Democratic Finance programme which **requires continued, long-term funding and commitment from Scottish Government as outlined above.**

While the CSS programme continues to be successful in generating a good proportion of earned income, there is still a need for grant funding to enable the delivery of inclusive and expert support. In turn, the CSS programme can support and grow community and social enterprises who are less dependent on public and third sector grant funding.

Previous clients of CSS such as Glengarry Community Woodlands and the Old Forge CBS Ltd speak very highly of the support provided from CSS, and Raasay Community Renewables stated that:

*“All of Community Shares Scotland’s support was pivotal to success. Before you embark on this kind of project, it is difficult to know exactly what support you will need but CSS’ flexible approach meant we could add capacity where required and as need arose”*

### **Further promotion of the community business model, including business and financial literacy**

DTAS suggests that there not only needs to be a focus on the supply of money, but also on the demand. We must increase the number of well-managed, enterprising community and social organizations across Scotland – specifically those who can productively use democratic finance models. This will only happen if the appropriate support mechanisms are in place.

- **Cross sectoral support for financial literacy** – this is identified as a key learning need by board members of development trusts. There is some support available through various intermediaries, but DTAS would like to see an expansion and deepening of this, building on points made in the response to the workforce pillar.
- Similarly, **support and funding focused on good governance**, a cross cutting theme through this consultation response, and which is the bedrock of community work and a key capacity issue, particularly for communities owning and managing assets or taking on investment.
- In earlier discussions of how to create secure core funding for community anchors we identified **the importance of productive assets**. Support (through Local Place Planning for example) is required for communities to identify and acquire the most productive assets in their community – so not just focusing on taking on the church building, but running the car park, or holiday park - a more valuable asset.