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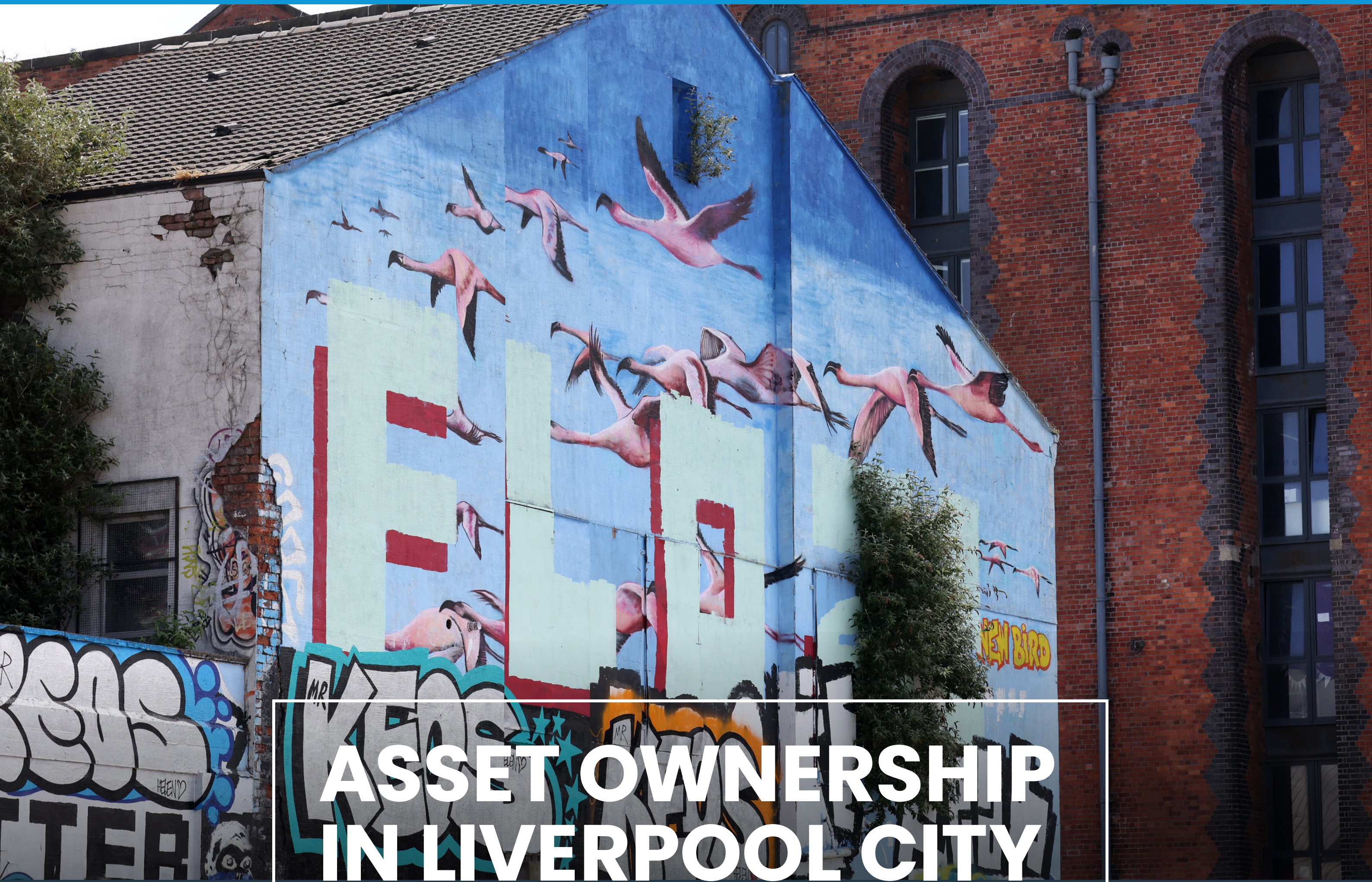

ASSET OWNERSHIP IN LIVERPOOL CITY REGION'S SOCIAL ECONOMY – KEY MESSAGES

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Key Messages

- The Liverpool City Region has a long and rich history of producing socially innovative housing and urban regeneration schemes that are community led. It is often community groups who bring different approaches to the regeneration of their neighbourhoods with an emphasis on celebrating local heritage, tackling social issues, providing affordable high-quality housing, revitalising high streets, and creating good jobs close to home.
- For individual social organisations ownership of, or right to use, property or land assets may provide opportunities for income generation, a balance sheet against which to secure funds for growth, and financial resilience. Financial resilience provides the ability both to weather challenge and to take on opportunity when it presents itself.
- Our research shows that lack of access to suitable land or property is restricting the development of many social organisations even when demand for their products and services is high. 70% of socially trading organisations in the Liverpool City Region are looking for more space to enable them to grow.
- There is a strong inclusive economic case for improving the access to land and property of community groups and social organisations operating within the Liverpool City Region. With an average asset utilisation rate of over two times, social organisations would be able to generate higher income, employ more people, and deliver social impact each time they are given access to additional land or buildings. Over half of new jobs created will be in the most deprived parts of the region.
- This research shows that £32 million of additional assets made available to Liverpool City Region's smaller social organisations could generate between £30 to £100 million of extra income and create up to 2750 new jobs.
- Community asset transfers are a useful mechanism (but not the only one) for providing access to land and property to organisations in the social economy. These may ensure that public assets get used more frequently and more effectively, sometimes extending the life of that facility, provide opportunities for communities to have more influence and control over services delivered for them while retaining both economic and social value within the local area.
- The case studies in this report tell the story of social organisations where property ownership has been a key factor in the success or otherwise of the company. In telling those stories we draw out key lessons learned – what works well, what can go wrong, and what might be done differently if there is opportunity to do things again.
- We undertook a detailed look at the extent to which one of those case study examples, Baltic Creative CIC, has been successful in achieving its aims of promoting economic growth in the creative and digital sectors and developing the Baltic Triangle area of Liverpool as a national centre for creative and digital sectors. This analysis highlights the significant beneficial economic and social impact that can be had in a place, even one experiencing market failure, when clusters of businesses are actively supported, funded, and networked as a community of interest.
- We have distilled the various factors that contribute to positive outcomes when social organisations take on land or property and propose a blueprint for success: right people, right property, right money, and right governance.
- Right people mean dedicated individuals from within the community who are committed to a place or cause, access to experts or professional advisers who share the community's ethos, values and vision, and collaborators and partners who can bring ideas, money, and practical skills.
- Right property means land or a building of an appropriate size and location, co-designed with the community to ensure it is fit for purpose, where development activity is done at a pace that fits the funding and resources available, and where rental income will cover all operating and maintenance costs once the scheme is completed.
- For the money to be right it should be patient and flexible, ideally comprising (at least initially) capital and revenue grant to enable the organisation to build a balance sheet. Funding should be kept as simple as possible with standardised terms and legal documentation where possible, with lease terms that support use of the asset as security for loans, and with social value being included as well as financial return.
- Right governance involves a carefully defined community of interest with company objects written to protect it, an asset lock, a suitably skilled board that represents and protects the interests of the community, and a governance structure which fits with funding requirements.
- We propose several recommendations in this report:
    - Establish a Liverpool City Region Asset Holding Company (LCR CAHoldCo) to take on and hold land and property on behalf of community groups and social organisations while they raise funds, secure planning permission, and identify development partners.
    - Assets for LCR CAHoldCo to be contributed by private owners, the public sector, or the largest

organisations within the social economy – housing associations, universities, large charities, and social enterprises. In fact, any land or property owner with underutilised assets that could be better used for community benefit.

- Funding for LCR CAHoldCo to be provided by LCR Combined Authority, Merseyside Pension Fund, private sector pension investors, Big Society Capital, and other social investors with an interest in funding community led property schemes.
- The 6 local authorities of the Liverpool City Region and the Combined Authority to embed social value and community led approaches into their policies for local development and provide capacity to deliver them.

Figure 1 **Summary of critical factors for community asset projects**

People		**Property**	
✓	✗	✓	✗
Committed group of individuals with strong connections to place or cause	Over dependence on one individual or a very small group of people in key positions	Properties co-designed with community of interest to ensure fit for purpose	Insufficient engagement with community of interest at design stage. Property does not meet the needs of the community
Extensive and regular involvement of local residents and/or community of interest in co-designing proposals	Over dependence on a small group or lack of involvement of local residents or community of interest	Large enough to meet the needs of the community of interest and to generate enough rental income to cover costs	Property too small to meet the needs of the community. Does not generate sufficient rental income to cover costs
Strong networks of people and organisations with a range of knowledge, skills, experience and connections	Individuals in positions of influence or control lacking the knowledge, skills and experience needed to fulfil roles effectively	Pace of development can be managed within the available funds and resources	Property too large or construction/redevelopment costs too high to be covered by rental income and available funding
Use of professional managing agents can ensure high occupancy rates and rental income from an early stage	Over reliance on volunteers and/or temporary contract staff can be unsustainable for projects which take a long time to complete	Property can be used as collateral for loans	Property not in suitable condition to be used as security for loans or leases too short for funders to accept
A commitment to collaboration and partnership working	Works in isolation with little or no collaboration or partnership working	Property appropriately located in or near to the community of interest	Property not well situated for the users and/or community of interest
A diverse board and leadership group with at least 50% women	Little or no diversity within board or leadership group	The design and fixtures and fittings of the property match the day-to-day usage requirements	The building design and fixtures and fittings are not fit for purpose given the day-to-day use of the building

Figure 1 **Summary of critical factors for community asset projects**

Money ✓	Money ✗	Governance ✓	Governance ✗
Capital grants available to meet most or all of development costs	Little or no capital grant available to fund development costs. Loan to value ratios too high to be sustainable	Carefully defined objects and governance arrangements to ensure the interests of the community of interest are front and centre	Loosely defined objects which do not adequately protect the interests of the community of interest
Revenue grant available to fund set up and early stage operating costs	Little or no revenue grant available to fund operational costs	Appropriately skilled directors who are aware of their governance responsibilities and ensure these are upheld	Directors appointed for reasons other than their knowledge, experience and governance skills
Loans available on affordable terms	Loan terms not affordable	Appropriate balance of community and external directors/members of leadership team	A majority of directors/members of leadership team come from outside the community of interest
Long lease can be used as security for funding	Only short lease available limits funding options	Asset lock in place to ensure property is held and operated on behalf of the community of interest	No, or insufficiently strong asset lock in place
A small number of funders with similar objectives minimises complexity and may be suitable for standardised documents and contracts	Lots of funders with different expectations and return/repayment requirements is difficult to manage and expensive due to duplication of legal agreements and contracts	Carefully defined board membership criteria that can realistically be achieved	Overly prescriptive board membership criteria that are difficult to achieve
Inclusion of social value in consideration of overall returns and transfer value of assets	Asset transfers only available at best financial value	Governance structure fits with funding requirements. For example, company limited by shares or CBS if equity required	Company limited by guarantee will not be able to issue equity so funding options restricted to loans or grant

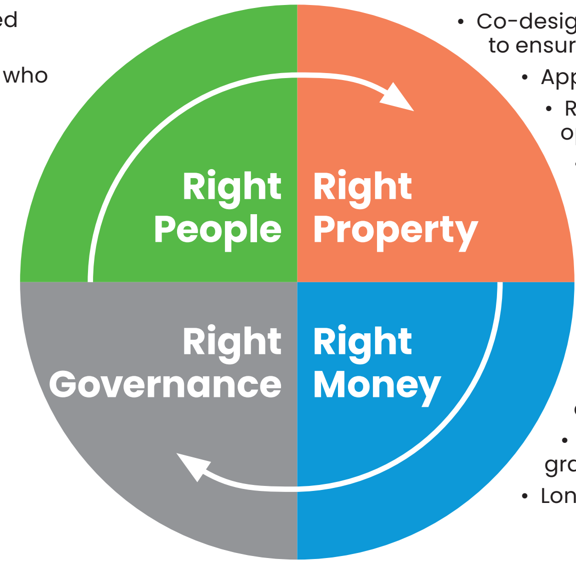
A Blueprint for Successful Community Asset Ownership

Taking what we have learned we have distilled the various factors that contribute to success or otherwise and propose some key ingredients for successful community asset ownership. These are shown in Figure 21.

Figure 2 **Blueprint for successful community asset ownership**

- Dedicated individuals committed to place or cause
- Experts or professional advisers who share your ethos and values
- Collaborators and partners who can bring ideas, money and practical skills

- Co-designed with the community to ensure its fit for purpose
- Appropriate size and location
- Rental income will coverall operating and maintenance costs
- Fit the pace of development with the funding and resources available



- Carefully define the community of interest
- Objects written to protect community of interest
- Asset lock
- Skilled board that represents community of interest
- Governance structure fits with funding requirements

- Keep it simple! Standardise terms and legals where possible
- Patient and flexible
- Include social value as well as financial
- Ideally, capital and revenue grant to build a balance sheet
- Long leases

Recommendations

1) **Establish a Liverpool City Region community asset holding company** (CAHoldCo).

a. Funded by capital grant or equity, this would take on ownership of an asset as soon as there is a viable proposal from a community group.

b. It must have an asset lock – any assets transferred into CAHoldCo are being held on behalf of community groups to provide them with time to do all the things required to get projects up and running. This can sometimes take years!

c. It should be demand driven – assets would only be transferred into CAHoldCo when communities have identified an opportunity; the CAHoldCo should not be used to 'dump' unwanted assets or as a speculative vehicle for capital gain.

d. CAHoldCo would own the assets up to the point that a community group is ready to take them on. This may be once they have formulated project plans, obtained planning permission, raised funding, and identified contractors and professional advisers, or it may be once a building or project is completed and generating income.

e. There should be flexible arrangements for the transfer of assets from CAHoldCo to provide as many options as possible for community groups. These may include outright ownership, shared ownership with CAHoldCo, short-term and long-term leases of varying lengths. Part of the role of CAHoldCo might be to enable community groups to build a track record of regular rent or mortgage payments (to CAHoldCo) and to support their move from short-term temporary use property through longer-term but still temporary, and, where appropriate, to outright ownership.

f. If a community group is unable to proceed with projects, then CAHoldCo would be able to decide on the most appropriate way to dispose of the asset. This may mean that the property is offered to other community groups, or it might mean sale. CAHoldCo's objectives should ensure that community uses are prioritised over sales for commercial gain. Any gains from disposal should be used to fund the operations of CAHoldCo or to further its objectives; no distributions of capital gains or surplus should be made outside of CAHoldCo.

g. For larger projects, CAHoldCo may receive rental income either until a community group raises enough money to take on the assets or as part of a shared ownership arrangement. Any income earned in this way should primarily be retained within CAHoldCo to support operations, but this may also be a way of providing investment returns to any external investors in the holding company.

h. CAHoldCo should either employ on its own staff or convene a network of property specialists – designers, architects, surveyors, engineers, construction contractors, lawyers, investors, managing agents etc. – to provide advice and services to community organisations working on asset transfers or property matters. Wherever possible contract terms and legal agreements should be standardised. If it is large enough, CAHoldCo could also realise economies of scale on behalf of LCR community organisations when buying property-related services, construction materials etc.

2) **Liverpool City Region anchor institutions to contribute assets to CAHoldCo**

a. Universities, housing associations, local authorities, LCR Combined Authority and local NHS Trusts may have underutilized assets that might be better deployed in the hands of community groups or social businesses. Any of these organisations may find it difficult or uneconomic to transact with individual community led businesses or groups but CAHoldCo, as a well-capitalised established entity with strong governance and the means to satisfy due diligence processes may be a more attractive counterparty for large anchor institutions.

b. By being aware of what assets are held by which anchor institutions CAHoldCo would be well placed to provide an effective brokerage service matching available property with community organisations and social businesses in need of space.

3) **LCR Combined Authority, Merseyside Pension Fund, Big Society Capital, and other investors to provide funding for CAHoldCo**.

a. CAHoldCo could provide a collective vehicle for grant funders and investors to provide capital to several community led asset transfers or developments rather than supporting individual projects. This would diversify risk, reduce the amount of work required and increase impact for every £ provided.

b. LCR Combined Authority and Merseyside Pension Fund would directly benefit from any improvement in return on assets because of transfers from anchor institutions to community organisations or social businesses as these would mostly be retained within the local area. As two of the largest stakeholders in the region they would benefit from improvements to the physical environment, the social impact generated and a more inclusive and balanced economy.

c. Big Society Capital's purpose is to provide capital which generates social impact. As the UK's social investment wholesaler, they are not able to invest directly in individual community or social businesses, but they would be able to provide funds to CAHoldCo.

4) **LCR Combined Authority and the 6 Local Authorities to embed social value and community led approaches into their policies and strategies and provide capacity to deliver them.**

a. All six local authorities in LCR have already introduced community asset transfer policies with commitments to working with social organisations and local people to enable communities to become more independent and financially self-sufficient. These policies are still relatively new but consistent and regular application of them would provide a cohesive approach to community asset transfers across the city region.

b. LCR Combined Authority's Plan for Prosperity states a commitment to building an inclusive city region where levelling up means everyone shares in economic opportunity. The Combined Authority can play an important role in providing leadership and guidance in showing how the delivery of social value and community led approaches can contribute to an inclusive economy.

c. Capacity needs to be built within officer teams across the region's local government to develop an understanding of how and why community led projects can contribute both financial and social value locally.

About The Authors

Helen Heap

Helen is a social investor and the founder and CEO of Seebohm Hill Ltd, a Liverpool-based social investment consultancy. She spent more than 2 decades working in the financial services industry as an analyst, equity salesperson and investor, mostly specialising in Japanese equities. Since 2011 Helen has worked with social organisations, social investors and other funders in roles involving the measurement and reporting of social value, investment due diligence and research of the social finance market. She has co-authored reports and a book on social finance and has undertaken detailed research on the social economy of the Liverpool City Region and northwest England. Helen is an experienced presenter on social investment and social enterprise and is a Visiting Fellow of the Heseltine Institute for Public Policy, Practice and Place at the University of Liverpool. She is a Trustee of Local Solutions, an Independent Panel Member of the Liverpool City Region Strategic Investment Fund, sits on the Investment Committee of Lyva Labs, and is a member of the LCR Social and Solidarity Economy Reference Panel. Helen is one of the co-founders and Deputy Chair of Kindred LCR CIC.

Alan Southern

Alan is the academic lead on the social economy for the Heseltine Institute for Public Policy, Practice and Place. This work involves a broader network of practitioners and academic colleagues in the Liverpool City Region and beyond. The work on the social economy has been widely received by organisations including the United Nations Research Institute for Social Development, the Global Social Economy Forum and the EMES International Research Network on social innovation. Alan has constantly argued, through his publications and presentations, that the whole economy must be considered through the social relations that make it work and that objectives are focused on people first rather than capital, offering new ideas on how we redistribute the wealth created.

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About the Heseltine Institute for Public Policy, Practice and Place

The Heseltine Institute for Public Policy, Practice and Place is an interdisciplinary public policy research institute which brings together academic expertise from across the University of Liverpool with policy-makers and practitioners to support the development of sustainable and inclusive cities and city regions.

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