Making the Most of Local Authority Assets

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Acknowledgements

This research would not have been possible without the support of our funder, Friends Provident Foundation.

For their input and advice, we are especially grateful to our Advisory Group: Michael Blake (Royal Borough of Kensington and Chelsea); Shadi Brazell (Impact Investing Institute); Andrew Davies (Friends Provident Foundation); Rayhan Haque (Local Trust); Noel Hatch (London Borough of Newham); Gordon Innes (Bloomberg Associates); Antonia Jennings (CLES); Andrew Laird (Mutual Ventures); Jenny Sansom (Power to Change); Julia Slay (research, advocacy and engagement consultant); Joanne Wilce (Friends Provident Foundation); and Michael Wood (NHS Confederation).

We would also like to thank the officers and councillors of the London Boroughs of Hounslow, Kensington and Chelsea, Lewisham, and Newham who generously gave their time to be interviewed for this project – in particular, Sarah Filby and Paul Probert at the London Borough of Hounslow, Michael Blake and Dan Hawthorn at the Royal Borough of Kensington and Chelsea, John Bennett and Barry Bugden at the London Borough of Lewisham, and Noel Hatch at the London Borough of Newham.

In addition, we are hugely grateful to all who spoke to us during the course of our research for this report. Twenty-four professionals from the four boroughs mentioned above were interviewed. The following agreed for us to acknowledge their contribution: Niall Bolger (Chief Executive, Hounslow); Elliot Brooks (Director of Residents' Services, Hounslow); Molly Carew (NGDP Trainee, Social Investment, Kensington and Chelsea); Chrissy Galerakis (Programme Delivery Lead, Kensington and Chelsea); Sandjea Green (Head of Community Participation, Kensington and Chelsea); Dan Hawthorn (Executive Director of Housing and Social Investment, Kensington and Chelsea); Mark Pearson (Head of Procurement and Contracts, Hounslow); Mandy Skinner (Assistant Chief Executive, Hounslow); Michael Sudlow (Director of Corporate Investment Property, Hounslow); Kim Taylor-Smith (Deputy Leader of the Council, Kensington and Chelsea); Martin Waddington (Director for Joint Commissioning, Hounslow); Gary Wilson (Consultation and Insight Manager, Kensington and Chelsea).

We would also like to thank the other experts we spoke to throughout the research: Peter Ballard (Funding and Risk Director, London Pension Fund Authority), Clare Birkett (Associate Director, Economy), Luke Bruce, (Programme Director, London's Recovery Programme, GLA), Jim Collins, (Director, Strategy and Planning (London), KCL), Andrew Cribb (CEO and co-Founder), Sarah Forster, (CEO, The Good Economy), Sean Gillen (Corporate Head of Employment, Skills and Enterprise, The Royal Borough of Kingston upon Thames), David Harley, (Head of Regeneration, Be First), Mark Hepworth, (Founding Director, Research and Policy, The Good Economy), Paul Honeyben, (Director: Local Government Finance and Improvement, London Councils), Jillian Kay, (Strategic Director, Recovery, London Councils), Nabeel Khan, (Director - Economy, Culture and Skills , Lambeth), Rishi Madlani, (Councillor, Chair of the Pension Committee, Camden Council), Chris Paddock (Director, PRD), David Randall, (Co-Chair, Crystallist), Elara Shurety, (Development Manager, N15 Development Trust), Matthew Snelling, (Head of Improvement, London Councils), Rachel Williamson, (Programme Director, Economic Fairness, GLA).

Finally, we would also like to thank the Londoners who took part in focus groups looking at how councils should make decisions about spending their money and using their property.

The views expressed in this report are solely those of the authors, and all errors and omissions remain our own.
Summary
Local authorities in London oversee a lot of assets. Every year, they spend billions of pounds on goods and services, manage properties and land totalling more than one-fifth of the city’s area, and control tens of billions of pounds in local government pension funds. These assets already provide huge value to the city. Some local authorities are investigating how they could use them to have an even bigger impact on their local economy and society. We call these policies collectively “community asset approaches”, and give examples below of how a local authority can apply them when buying goods and services, managing their property, and how they apply to Local Government Pension Schemes.

These community asset approaches are flourishing across London. While researching this report, we encountered countless success stories and passionate advocates for this approach. Among the people we spoke with, there was enormous motivation to realise the potential of community assets.

First, “progressive procurement” has made significant inroads throughout the city. Progressive procurement involves a local authority buying goods and services from small and diverse local businesses or securing commitments from larger businesses to deliver additional “social value” (i.e. outcomes that improve economic, social and environmental wellbeing). Not only is it widely practiced by local authorities, but it is also producing meaningful social and economic value for residents.

Second, some boroughs also have highly successful programmes for using their property to create social value in addition to the day-to-day services provided by councils. This is less widespread than progressive procurement, but it could be improved by better data on how buildings are currently used.

Third, some local authority pension funds are beginning to invest in local place-based projects. This approach is relatively new for many local authorities, and pension funds could further increase their impact by joining up their work across London, as well as with funds in other parts of the UK and Europe.

Lots of brilliant work is being done to increase the impact of these assets – and the potential exists for far more. Nonetheless, some issues hold local authorities in London back, and London’s size and complex governance structures can make it difficult for the city’s 32 local authorities to implement the approaches seen elsewhere.

In the following chapter, we recommend a suite of actions that local authorities could take to make their work go even further. Here, we set out some of the barriers to increased impact that we identified in our research.

Clarity of aims
Local authorities would benefit from a clear strategy that defines what they aim to achieve with “social value” activities – whether it’s higher wages, more apprenticeships or more community spaces.

Delivering against these aims when buying goods and services
Example: A local authority provides support to help small local businesses win council contracts to provide goods and services in the borough. These businesses in turn employ local people. Support might entail chopping up contracts into smaller “lots”, or providing information and advice about the process.

- Local authorities have faced challenges to ensure that the businesses they procure from deliver on the social value pledges they make. This can be due to a lack of resources, skilled staff, or sufficient incentives for staff to follow up on pledges and manage their delivery.

- Local authorities can also learn from councils that have supported local small businesses to win contracts.
Managing properties that the council owns or controls

Example: A local authority engages local people and identifies demand for a place in which community groups can gather. It converts an underused council-owned building for this use, providing a community hub on the ground floor that is subsidised by renting out the upper floors to businesses.

- Local authorities would benefit from better information about how their properties are being used, and what social value is being generated by the activities of those using them.
- Local authorities are sometimes inconsistent in their approach to granting discounts on rent for local community groups and businesses.
- Due to the resources required to support the transfer of assets to the community, some people are sceptical about the net benefits.

Local government pension funds

Example: A pension fund committee decides to invest in a local housing project that offers reliable financial return and generates a positive social impact for the borough.

- Pension fund committees would benefit from clearer information on how their fiduciary duties to members are compatible with investing in local, socially impactful projects.
- Local government pension funds often lack the resources and skills in their teams to effectively evaluate the suitability of potential local projects.

Working with local people

The local people we interviewed expressed an interest in being more closely involved in the council’s decisions about how to use the assets it manages – particularly in decisions about how to use buildings (e.g. vacant libraries).

- The variety of views on what councils should prioritise – including converting empty buildings to affordable homes, creating community spaces, and providing affordable workspaces – underscores the need for local engagement.
- The people we spoke to expressed a range of views on how they would like to be engaged in decisions about how their council uses its assets:
  - Broadly, people expressed greater interest in defining high-level priorities (such as how an empty building will be used) than in deciding technical details (such as how such a building should be designed).
  - Due to concerns that some people might find engagement more difficult than others, they thought that councils should take steps to enable people to take part.
  - Crucially, many told us that for engagement to be successful, it had to have a real impact on council decisions.
Working with other boroughs and anchor institutions

- Some council officers felt that they were attempting similar things to other local authorities, and that they were often reinventing the wheel.

- We found widespread (if cautious) optimism about the potential for more collaboration between councils, where this still allowed freedom to pursue local priorities.
Recommendations for policy and practice
Define what you want to achieve

1. Local authorities must define their “social value” priorities (outcomes that improve economic, social and environmental wellbeing) in a published document – including how much social value they want to deliver and how they will measure it. This should cover all work related to property, procurement and pensions, including a Community Asset Transfer policy.

   This should involve agreeing local priorities (informed by engagement with residents and local anchor institutions) as well as an authority’s local plan or other existing strategies. The definition should specify where the local authority expects social value to be delivered – whether within the local authority boundary or in neighbouring boroughs too. It should also include minimum standards on the additional value to be delivered. A good social care provider will by definition provide a socially valuable service: the policy should set out what social value might be delivered over and above this.

Make sure you deliver against your aims for each type of asset

Procurement

2. Local authorities should include delivery of socially valuable outputs when they are scoring tenders for procurement, and should require providers to report regularly on the social value they are adding as set out in their contracts. In addition, local authorities should audit their existing contracts, including the delivery of existing social value pledges. Reporting requirements on contractors should be proportionate to the size of the contract.

   Local authorities should make clear what their social value priorities are as defined by their strategy (see Recommendation 1). Contract managers should feed the results of social value pledges into a database and share the results regularly at senior levels.

   Whatever a local authority’s definition of “social value”, there are good reasons to think that purchasing from local SMEs is valuable in itself, as we discuss further in Chapter 2. Reporting requirements may therefore be scaled down for smaller enterprises, and local authorities should report how much they spend on such contracts.

Property

3. Local authorities should audit and regularly publish information on the uses of buildings over which they have substantial control, using this data to inform pilots and other actions.

   This should include an assessment of the social value pledges and outputs produced within these buildings, particularly where they have been provided at reduced rents. This should be published in a dynamic database so that individuals or groups can apply to use properties when they become available.

   Organisations who are using a council-run property at a discounted rate should provide information about their activities – such as the number of people they have supported or engaged, what projects they have run, and what needs they have sought to meet.
Pensions

4. **The Department for Levelling Up, Housing & Communities should update guidance governing fiduciary duties for Local Government Pension Schemes**

Guidance (Local government pension scheme: guidance on preparing and maintaining an investment strategy statement – July 2017) should state explicitly that in selecting scheme investments, pension scheme administering authorities must consider the impact of those investments on society and the environment, alongside other factors deemed relevant to providing for the best long-term interests of members. The Department should further clarify that place-based investing with the intention to generate positive, measurable social value can be consistent with the fiduciary duties of LGPS funds.

One barrier preventing some authorities that administer pension schemes from investing in local projects is a lack of clarity about how their fiduciary duty would interact with such investments. A clear statement from the Department for Levelling Up, Housing & Communities could improve the information that authorities have to inform their decisions.

**Work with local people to define your approach**

5. **Building on their existing engagement with residents, local authorities need to engage a broad group of local people on their general approach to managing their assets. They should also engage with a smaller group of local people about specific local assets.**

All local authorities already engage with their residents. We recommend that local authorities extend this engagement to their asset management strategy, including a transparent discussion about the trade-offs between financial return and social value.

**Join up work with other boroughs and anchor institutions**

6. **Local authorities should work with each other (and with local anchor institutions) to manage assets, with the aim of sharing knowledge, reducing costs and increasing impact.**

This joined-up approach will work best when relationships between boroughs exist at various organisational levels – including the leadership team – rather than just among a few key individuals. Having a clear, published definition of social value and local priorities (see Recommendation 1) is likely to support the building of these relationships. Table 1 on the next page sets out how this could work for procurement, property, and pension funds.
### Table 1: How local authorities should further join up their work, by asset type

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<th>Asset Type</th>
<th>Who should do it</th>
<th>What they should do</th>
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| **Procurement** | Local authorities, building on the London Heads of Procurement Network, potentially supported by London Councils | • Jointly produce guidance for using procurement to bring about social value, including templates such as procurement contracts and social value frameworks.  
• Build up individual connections between local authorities at the officer level.  
• Source low-cost training for officers on community wealth building approaches. This should be modular and available on an ad-hoc basis, for instance online.  
• The network should work closely alongside the city’s anchor institutions – for example via the London Anchor Institutions’ Network, which is undertaking some of these actions across London.¹ |
| **Property** | Local authorities, potentially supported by London Councils                      | • Jointly produce guidance for using property to bring about social value – including standardised licencing models, processes for auditing the properties they manage, and policies to manage Community Asset Transfers effectively. |
| **Pensions** | Local authorities – potentially supported by a regional chapter of the existing Place-Based Impact Investing Adopters Forum,² or by London CIV | • Build stronger connections between local authorities to share project case studies and due diligence data.  
• Build connections with relevant stakeholders, such as fund managers, consultants and advisors.  
• Raise awareness among LGPS fund managers and pension committee members of the opportunities to use pension funds for local place-based investments. |
1. Introduction
Councils deliver a wide range of vital public services, spending large amounts of money and managing a lot of land and property. In the last decade, increasing numbers of councils have become interested in taking a more strategic approach to the money they spend, the property they manage, and their pension funds – working to leverage them for the social and economic benefit of the local community. Our analysis found that more than half of all councils in London are adopting this approach in some way.

Such policies go by many names, including “community wealth building” and “social investment”. In this report, however, we use “community assets approach” as a catch-all term for this way of working.

**Opportunities and challenges in London**

Councils in London – and the residents they represent – face many challenges. Currently these include the rising cost of living, the ongoing impact of COVID-19, and the possibility that levelling up will divert money away from London. In light of these challenges, councils in London have an especially strong case for trying to get more out of their existing assets.

London is a large city with a complex governance structure, where boundaries used by different organisations do not always overlap and where people often live, work or study in different boroughs. As a result, it isn’t always clear who is “local” and who isn’t – which creates obstacles to joined-up policymaking.

As we discuss in this report, local authorities in London are already joined up in various ways which allow them to share knowledge and build on each other’s links and expertise. However, there is still room for local authorities to collaborate further so as to get the most out of their assets.

**Glossary**

**Procurement:** The goods and services that councils buy in their day-to-day activities. London boroughs spent £12.9 billion on “third party spend” in 2019/2020.¹

**Council-managed property:** Properties that a council owns or has substantial control over, such as a library, office building or shopping centre. London councils own over 325km² (over 20 per cent of the city’s land area).⁴

**Local government pension funds:** Pension funds that are paid into by employees of a local authority. With the support of specialist consultants and fund managers, members of a pension fund committee can make decisions about how to invest the fund, and have a legal fiduciary duty to their members. Across England and Wales, their market value amounts to £332.7 billion.⁵

**Anchor institutions:** Organisations which are significant, reliable sources of capital and employment, and which cannot easily move from a given place. These tend to be public sector organisations, but some large private and third-sector employers share similar characteristics.

**Social value:** Outcomes that improve economic, social and environmental wellbeing, additional to the day-to-day services provided by councils.
2. What we already know
In this chapter we explore how local authorities can make the most of their assets, drawing on research by other organisations as well as interviews we conducted with 16 experts in a range of fields.

**Key takeaways:**

- Buying more goods and services from small local businesses or those which deliver additional social value – like providing jobs locally or supporting community projects – can make local authority spending go further for local people. Collaborating with neighbouring councils can help ensure this translates into sustained benefits.

- Many local authorities have found ways to generate social value from their properties – from providing affordable workspaces to working with local people to design a “cultural hub”. Doing so can come at a financial cost, but in some cases it delivers wider benefits later on, as well as providing benefits in itself.

- Local Government Pension Scheme (LGPS) funds across London manage over £48 billion, and some are becoming interested in investing more of their fund locally. However, local government pension funds often lack the resources and skills in their teams to effectively evaluate the suitability of potential local projects.

**Procurement**

Since the passing of the Public Services (Social Value) Act of 2012, which allowed public sector procurers to factor social value into their decisions, many councils have taken a more intentional approach to procurement. Between 2016 and 2021, across England, spending with local suppliers grew faster than with non-local suppliers.6

**Supporting local businesses to access opportunities**

Small and medium-sized enterprises (SMEs) offer some benefits to a local area over larger competitors based elsewhere. One estimate suggests that each pound spent with an SME leads to 63 pence being spent locally, as opposed to 40 pence at larger firms.7 SMEs may be more likely to employ local people, reinvest profits in the local area, or pay local taxes – and can do more of this if they are supported to grow. The way a council procures goods and services can help. For instance, smaller companies who couldn’t successfully bid for a large contract can be supported to do so if the contract is broken up into “lots”. A council can also provide mentorship or business support for local businesses, and give them notice of upcoming contracts.

**Exchanging financial return for social value**

In addition to supporting local small businesses, some councils require supplying companies to provide additional social value. This could include paying the London Living Wage, providing apprenticeships to local people, or funding a community project. Smaller firms may have less scope to deliver these additional benefits – but they may deliver benefits simply by being a local small business.

Such methods have been adopted far and wide under a variety of names. In Toronto, Canada, the AnchorTO network is coordinating procurement and hiring for 18 large city anchor institutions to develop social value,8 while here in the UK Birmingham City Council is participating in a pilot to map the procurement process for social enterprises.9 King’s College London, alongside many other UK universities, is working to become a “civic university”, which involves a commitment to build social value into its contracts and supply chains.10
Case Study: Progressive procurement in Preston
The best-known example of progressive procurement and community wealth building in the UK has taken place in Preston in collaboration with the Centre for Local Economic Strategies (CLES), a Manchester-based “think-and-do tank”.

Preston Council worked with a number of partners to analyse its spending within the county. It then forged agreements with local anchor institutions to redirect “influenceable” spending back into the local economy. From 2012 to 2016, the Council and its six anchor partners more than tripled the proportion of their procurement budgets spent in their local area.

As well as building an anchor network, Preston has attempted to use its procurement spend to shape local markets. For instance, it broke up a contract to supply yoghurt to schools county-wide into smaller contracts that local businesses could apply for. Alston Dairy was one such business: it has since grown in size, now taking £3 million in annual revenue and producing 35 tons of yoghurt a week.

Together, Preston Council’s efforts to spend a greater proportion of its budget locally contributed to economic growth in the city. In 2018, Preston was named the most improved city in the UK by the Good Growth for Cities Index and, in late 2021, had the fourth highest GVA growth (year-on-year) of any city in the UK. Another analysis estimated that community wealth building had a 10.6 per cent relative impact on median wages in the city.

Case Study: Evergreen Cooperatives, Cleveland, Ohio
A key inspiration for Preston’s community wealth building programme was the Greater University Circle Initiative of Cleveland, Ohio – which showed that initial funding from local anchor institutions can support local enterprises to become self-sustaining.

A group of anchor institutions and philanthropists in the city began a programme of procurement and start-up support for local cooperatives in 2009. This fuelled the growth of several local organisations – Evergreen Laundry Cooperative, Evergreen Energy Solutions (a retrofitting firm), and Green City Growers (a hydroponic farm) – which won contracts from these anchor institutions. They are worker-owned and aim to hire disadvantaged locals who struggle to find employment.

By 2016, these businesses had reduced their reliance on anchor institutions, which had come to represent just 15 per cent of their revenue.

Trade-offs
There is limited evidence available on the effectiveness of local procurement. This is partly due to the breadth of approaches and goals employed by different local authorities. According to an evidence review by the What Works Centre for Local Economic Growth, “the evidence base for the viability of these policies remains poor”. The review warned that local procurement potentially:

- May hurt the income of local residents employed by non-local firms.
- May not scale due to retaliation from other local authorities, resulting in a zero-sum game.
- May lead to higher costs for local authorities than if they focused purely on cost and quality.
However, there is considerable debate on this issue. In *The Case for Community Wealth Building*, Joe Guinan and Martin O’Neill argue that:

- As well as the total number of jobs available locally, the quality and conditions of work in those jobs are also important.

- Local procurement has the potential to be a positive-sum game if it encourages widespread investment in workers’ skills and conditions.

- Higher costs to local authorities may reflect higher incomes for employees of contracted firms.

The outcomes of local procurement are likely to vary according to the approaches used. Local authorities should keep these risks in mind when designing their approach. For example, they could consider coordinating their local procurement programmes with neighbouring councils to avoid risking retaliatory behaviour or residents being excluded from local jobs just over borough boundaries. Defining “local” by a set distance rather than borough borders – or by broader regional approaches – might also help avoid these pitfalls. However, these alternatives would require coordination with neighbouring local authorities.

**Property**

Councils often manage large portfolios of property that include office buildings, libraries, shops and community centres – all of which can be used in a variety of ways.

The financial pressures placed on councils by austerity caused many to reduce their estates by selling, leasing or redeveloping land. On average, more than 4,000 public buildings are sold off each year across England. Some councils also have reduced need for office space following the COVID-19 pandemic and need to decide what to do with their current stock. In light of these trends, some local authorities have become interested in preserving their remaining public properties, placing increasing weight on the social value of property alongside its financial value. In this section we describe some examples of how local authorities have used their properties in a way that creates additional social value, sometimes at the cost of lost financial value in the short term.

**Using properties beyond their original function**

Councils own “community assets” such as community centres, town halls, and libraries. Deciding to continue operating those assets for social (rather than financial) value constitutes a policy choice in itself. However, social value, as we use it here, refers to additional social value – i.e. benefits beyond the delivery of a standard service.

The approaches described in this section are not just applicable to property the council owns, since sometimes private developers are required to provide cheap spaces for the community (also discussed below). In addition, local authorities can work with anchor institutions to maximise value from the properties both sets of institutions manage. For instance, a local authority that liaised with the NHS on its property use could provide spaces for health provision closer to where people live.
Case Study: International House, Brixton, Lambeth

Twelve-storey tower block International House once served as offices for Lambeth Council, but was no longer needed for this purpose. After conducting research, including consultations with the local Brixton Business Improvement District, the Council established the need for affordable workspace in the area.

The Council partnered with 3Space, an affordable workspace provider, to develop a new “meanwhile use” for International House, using a model called “buy-give-work”. Under this model, each paying tenant funds a free office for a local community group or social enterprise. 3Space claims that in 2019 it provided 58 non-profits and social enterprises with a “home free of charge”, and helped over 30 young people find work who were not in education, employment or training. 3Space claim that International House creates 15 times the social value of a “traditional new-build office development”.

With many commercial tenants working in knowledge-intensive industries like architecture, technology and media, the possibilities for cross-fertilisation between paying and community tenants are promising.

Case Study: Roycraft House, Barking and Dagenham

As part of the Barking Town Centre Regeneration Strategy, Barking and Dagenham Council’s wholly owned development company Be First has begun to regenerate Roycraft House, a six-storey office block owned by the Council that was surplus to requirements.

After assessing the need for affordable workspace in the borough for those who might otherwise commute into central London, the borough partnered with MakeItLondon to transform the building into a local cultural hub. For at least the next 10 years, Roycraft House will be used as a coworking space for local artists and entrepreneurs, with space for recording studios, workshops, film studios, and food and drink sales.

Using funding from the Mayor’s High Street Challenge, Be First created a working group of local residents to provide input into the building’s design. Residents were compensated for their time, and workspace operators and potential tenants were also involved in the process.
**Community Asset Transfers**

Councils can give property directly to community groups and charities through Community Asset Transfers – a mechanism often used to protect a service that would otherwise be cancelled by enabling a community group to continue running it.

Community Asset Transfers are complicated to get right. UK think tank New Local conducted a survey of local government officers and found that 90 per cent thought a lack of appropriate assets made such transfers unlikely – while 88 per cent feared that the new owners or managers of the site would not, as a community group, have access to sufficient financing to keep it up. However, a report from the Cooperative Councils Innovation Network (a collaboration between local authorities in the UK) argued that financial and volunteer support from the wider community can bridge this gap. Instruments like community share issues – where residents are offered the opportunity to buy shares in local ventures – could help. The charity Power to Change also argues that the government could take steps to make it easier to transfer assets to the community; for example, by increasing the size of the Community Ownership Fund.

**Trade-offs**

As with procurement and pensions, managing properties in a way that creates additional social value is not without cost. In London, high property and land prices mean that the opportunity cost of using properties for social value can be higher than in other parts of the country. However, while using property to benefit local people and businesses can be costly in the short term, in some cases it delivers wider benefits later on, as well as being a good in itself.

We are also exploring this topic in our project [Impact Investing for London](#), focusing on private capital.

**Pensions**

Local Government Pension Scheme (LGPS) funds across London manage over £48 billion. Alongside growing sector-wide attention to environmental, social and corporate governance, Local Government Pension Schemes are showing increasing interest in investing locally to bring about social impact. This is often called “place-based impact investment”, which we refer to below as investment in local projects.

Deciding on the limits of a “place” and the boundaries of what constitutes “impact” can be difficult and potentially divisive. In an influential report, the Impact Investing Institute and The Good Economy – two leading research and advisory organisations – defined five sectors of the economy that they believe ought to be priority areas for such investment: housing, SME finance, clean energy, infrastructure, and regeneration.

**The case for investing locally**

It is not indisputable that local government pension funds should invest in projects seeking to benefit people in a particular geographical location. Unlike the other assets discussed in this report, pension funds are not owned by the local authority. They are private capital, held by scheme members, and usually invested by their trustees in a wide range of asset classes around the world with the aim of achieving reliable, long-run returns. Compared to this, some kinds of local projects might present too great a risk for pension funds to invest in.

However, local government pension funds are well-placed to invest in their local area due to the role of local authorities in supporting residents and shaping the local economy. Current and former employees of local authorities may be interested in their capital being used to improve the area in which they have worked and often lived. Over 70 per cent of people say they want their investments to avoid harm and achieve good for people and the planet.
Case Study: Three Local Government Pension Schemes in the UK

**Greater Manchester Pension Fund**
GMPF allocates five per cent of its portfolio to local place-based impact investments, with a particular focus on affordable homes. It often invests in mezzanine debt (between junior and senior tranches) to match its required risk/return profile.

**Clwyd**
Clwyd Pension Fund’s Investment Strategy Statement says that the Fund will “look for investment opportunities across all sectors that offer potential for catalysing economic growth, particularly in deprived areas”. According to the Fund’s March 2022 report, its four per cent allocation to local and impact investments outperformed the Fund average by almost 100 per cent.

**GLIL**
An investment partnership including several Northern LGPS funds, GLIL invests in UK infrastructure – including one of the largest working windfarms in the country, rolling stocks of trains, and renewable energy storage facilities.

If LGPS funds across the UK allocated just five per cent of their investments to local projects, they would unlock £16 billion of local investment. This goal was directly adopted by the UK government in its white paper *Levelling Up the United Kingdom*. However, we have heard concerns that the government is not offering enough support to realise the target. Across the country, LGPS funds currently only invest about one per cent of their portfolio in local projects. Thirty years ago, 60 per cent of local government pension funds were invested within the UK. By the late 2010s, this had fallen to 30 per cent – significantly less than many of their counterparts in the US and Europe.

**Challenges faced by pension schemes**
One reason that Local Government Pension Schemes might not invest in local projects as much as they could is that the consultants they hire to work alongside fund managers often lack experience of seeking social impact, especially place-based impact. Because place-based impact projects generally require investments into private markets, there is a lack of publicly available data on their performance. Funds must therefore undertake labour-intensive and expensive due diligence on potential projects.

Creating or finding local projects to invest in – often termed “origination” – is another challenge. When Havering Council explored investing in local projects in 2015, it struggled to find schemes that provided adequate returns. One solution to this, as practiced by MN, a large Dutch pension manager, is for investors to co-create projects with investees – or for investors to build their own projects. Interviewees also pointed to the need for central government to invest in remediation of brownfield land, which would enable private capital to fund construction.

Another commonly cited barrier to local place-based investment is “fiduciary duty” – the responsibility of pension trustees to act in the best financial interests of their members. Investing in projects which seek not only an appropriate risk-adjusted financial return, but also some positive social or environmental impact, is seen by many pension fund trustees as impossible. As the examples above demonstrate, however, this is not the case.

Advocates of local investment argue that funds’ fiduciary duties do not in fact bar them from investing for local impact. A report published by the Law Commission in 2017 concluded that pension funds are not legally barred from engaging in social investment – as long as they have...
good reason to think that their members share concerns about these issues and that by investing in such they don’t risk significantly damaging the scheme’s finances.  

Some types of locally impactful investment also offer distinct financial merits. The “alternative asset” class that affordable housing forms part of was recently shown to have the best ratio of risk to return of any class of assets traded in UK public markets, a finding replicated in private markets.

**What the future could hold**

Although the majority of impact investments are for targeted environmental goals rather than primarily social ones, a recent survey by Pensions for Purpose found that over half of all pension funds (not just LGPS funds) claim to hold some kind of impact investment already, while 90 per cent plan to make such investments in the UK.

As well as investing directly in place-based projects, pension schemes can also pool their funds – the London Collective Investment Vehicle (LCIV) is one such pool. Alongside its investments in nationwide infrastructure, LCIV co-founded the London Fund in 2020 – a £195 million fund aiming to combine social and environmental benefits for Londoners with sustainable returns for its members, and having a particular focus on affordable housing, regeneration and infrastructure. LCIV currently manages 54 per cent of the assets of London’s LGPS funds. In the future, pooled investments of these kinds could be joined by individual pension funds investing locally or, potentially, by city sub-regions (like boroughs in south or northeast London) clubbing together to invest in projects that would benefit their residents across borough boundaries.

**Involving residents in decisions**

When a local authority decides to pursue the approaches described in this report – for example by buying more goods and services from small local businesses or by allowing a community group to use a council-managed property at subsidised rents – it has to make a number of decisions about what to prioritise. Meaningful engagement can increase the positive impact of these decisions by ensuring the buy-in of local people. We were told by one interviewee that councils should treat community groups as expert partners, like they would a commercial developer.

Despite their associations with “community benefit” and “community wealth”, existing approaches have rarely been designed and implemented with active community engagement.

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**Case Study: FC Designer Collective Store**

An example of a successful property-centred collaboration between a local community and a council can be found in Islington.

In Islington, funded by the London Economic Action Partnership and the Mayor’s Good Growth Fund, the local authority has created a shop space called the FC Designer Collective Store. Fashion-Enter, a cooperative fashion business, manages the space and provides training and business mentoring to people in lieu of rent – allowing local designers and entrepreneurs to affordably sell their creations on a popular shopping street in the borough.

Fashion-Enter collaborated with a local women’s sewing group to tailor the project to the needs of local people. The success of the Designer Collective Store demonstrates the value of a hands-off approach that allows local people a role in designing their own spaces in council-managed buildings.
Defining and measuring value
Although there are many schools of thought on how to define and measure social value, at its most basic, social value refers to the “wider social, economic, and environmental benefits” achieved by spending. Since the Public Services (Social Value) Act of 2012, public bodies are mandated to consider the social value of their procurement and commissioning. Most, if not all, public services are themselves inherently socially valuable, so “social value” refers to the extra value achieved on top of a council’s usual activities.

Within these broad definitions of social value, individuals will hold a variety of views about which socially valuable outcomes should be prioritised. Councils should decide what to prioritise locally, informed by the views and needs of local people.

Talking about community asset approaches
There are many ways of talking about the approaches that councils use to get more value out of their budgets, the properties they manage, and their pension funds.

“Community wealth building”, with its roots in The Democracy Collaborative’s work in Cleveland, Ohio and the Preston Model in the UK, tends to be associated with the political left. Advocates of the term argue that it is not a one-size-fits-all model and should be adapted to fit local circumstances. However, it has attracted political connotations that can make it difficult for Conservative councils, among others, to adopt it.

Often, councils use bespoke terms for their policy frameworks. The Royal Borough of Kensington and Chelsea (RBKC) describes its approach as “social investment”. Other councils use the term “inclusive growth”, while the term “community assets” is often specifically applied to non-commercial, non-residential uses of local buildings.

“Social value” is a relatively neutral term – it is codified in national legislation, used in every council in England, and has the widest range of applications. However, some say it is too vague to be used as a catch-all term for a specific economic approach.

We are agnostic on which term councils should use to describe their approach to making the most of their assets. In leaving the terminology open, a wider range of local authorities may choose to adopt elements of these approaches.
3. Lessons from four London boroughs
We worked closely with four local authorities in London to understand their current approach to managing their procurement, property assets and pension schemes.

Key takeaways:

• Local authorities in London are using a range of approaches to generating social value with their procurement, property, and pensions.

• Often they are attempting similar things – like working out processes for getting more social value out of procurement contracts. However, some officers feel they are reinventing the wheel.

• Some common challenges included deciding which social value outputs to prioritise, monitoring the value generated by the council’s assets, and ensuring that pledges to deliver social value are met.

• We found widespread (if cautious) optimism about the potential for more collaboration between councils, where this allows freedom to pursue local priorities.

Summary of the boroughs we worked with

We interviewed officers at the London Boroughs of Hounslow, Lewisham, Newham, and the Royal Borough of Kensington and Chelsea (RBKC). Of these, two are located in inner London, and two in outer London. Three are Labour-controlled and one is Conservative-controlled. They vary considerably in their approaches to making the most of their assets. A summary of these is given in Table 2 on the next page.
<table>
<thead>
<tr>
<th>Borough</th>
<th>Procurement</th>
<th>Property</th>
<th>Pensions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hounslow</strong></td>
<td>Procurement decisions include a social value element (minimum of 10 per cent). All contracted firms (through supply chains) must pay London Living Wage. Provides support to businesses. Presumption that contracted firms employ local people.</td>
<td>Conducted audit of properties managed by the Council to inform a new strategy. Leases some properties to community groups and local businesses at sub-market prices. A &quot;Locality model&quot; to operate public services in local community spaces and shops.</td>
<td>Uses shareholder votes regularly in favour of environmental matters and has transferred significant amounts of its portfolio to low-carbon funds. Measures carbon footprint of equity holdings. Member of London Collective Investment Vehicle (LCIV).</td>
</tr>
<tr>
<td><strong>Kensington and Chelsea</strong></td>
<td>Social value weighting undefined, however social value procurement is an area of growing interest. There are examples of the Council, particularly neighbourhood teams, consulting local people about their priorities to inform social value contract elements.</td>
<td>Leases properties for reduced rent or no rent in return for the delivery of set social value outcomes. Includes jobs- and skills-related programmes such as Building Lives Academies.</td>
<td>Not seeking to use pension scheme to invest in local projects or to divest from fossil fuels. Member of London Collective Investment Vehicle (LCIV).</td>
</tr>
<tr>
<td><strong>Lewisham</strong></td>
<td>Procurement decisions include a social value element (5 to 10 per cent) with a menu of options. Provides support to businesses including sharing information on how to access procurement opportunities, direct engagement, and annual &quot;meet the buyer&quot; events.</td>
<td>No explicit policies governing approach. Leases some properties to community groups at sub-market prices.</td>
<td>Moved 50 per cent of its assets into low- and zero-carbon funds. Voluntary founding members of London Collective Investment Vehicle (LCIV), helped created LCIV’s low-carbon equities fund.</td>
</tr>
<tr>
<td><strong>Newham</strong></td>
<td>Procurement decisions include a social value element (10 to 20 per cent). Audited procurement identified the Council spends 28 per cent locally – it aims to increase this. Provides support to businesses including &quot;meet the buyer&quot; events.</td>
<td>The Council has a policy that sets out how organisations can be granted rent rebates in return for the social value that they deliver.</td>
<td>Invested in an &quot;impact fund&quot; which invests in social housing and has taken steps to divest from fossil fuels. Is exploring how its pension scheme can &quot;complement&quot; the Council’s affordable housing plans. Member of London Collective Investment Vehicle (LCIV).</td>
</tr>
</tbody>
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In the rest of this chapter, we discuss our findings from interviews with more than 20 officers and councillors across our four boroughs. We focus on the challenges and solutions that could be of use to others embarking on these approaches.

**Procurement**

Of the three assets discussed in this report – procurement, property, and pensions – procurement is the one that councils in London and throughout the UK tend to be most familiar with using to create additional social value. However, many of our interviewees expressed frustration about the current state of the field, and had views on how to improve its practice.

**Defining social value pledges**

A common challenge is defining what socially valuable outputs a business that wins a council contract should deliver. Some councils allow businesses to define their social value pledges themselves, while others require contractors to fulfil one of a range of options.

Officers and councillors from Hounslow and Kensington & Chelsea (RBKC) both told us that allowing companies that are bidding for council contracts to define the social value pledges they offer can lead to uncoordinated contributions that don’t necessarily reflect local needs. An officer from RBKC described a contractor that provided free career talks to residents of an estate without prior consultation on locals’ wishes. Not a single resident had attended the talks in the last half year. We learned that, historically, social value pledges had been treated as “add-ons” by the organisations making them, who knew they would not be followed up on.

“It’s not generally in [contract managers’] job description to chase developers and be like, where’s this social value that you promised you deliver?”

Officer at RBKC

In Hounslow, procurement staff had tackled this problem by setting social value pledges centrally, taking the suggestions of organisations who won contracts as purely advisory. This allowed them to align asks with local priorities. Recently, the Lancaster West Estate Neighbourhood Team in RBKC analysed engagement data and the scale of contracts available, and identified that resident priorities included digital inclusion and the condition of the estate’s community centres. Using this information, the team negotiated with organisations that won contracts to provide free laptops for digitally excluded residents and funding for the refurbishment of community centres. In the case of the unattended careers talks described above, the team secured “retrospective” contributions from the provider in the form of funding for the residents’ association’s community breakfast programme.

Officers at Lewisham Council favoured a thematic “menu” of corporate priorities and relevant outcomes that contractors could choose from. They cautioned against attempting to create an exhaustive list of potential pledges, arguing that each contract is too unique in its margin, social value weighting, and geographical context.

**Ensuring that contractors deliver on pledges**

Once a council has defined the social value pledges that contractors should deliver on, it has to enforce them. We were informed of significant under-resourcing in procurement teams, and a lack of incentives for contract managers to follow up on social value pledges. Several officers noted that historic contracts had, more than once, not delivered any of the social value pledges that were promised. This concern was shared across all four of our partner boroughs and many of our interviewees spoke of plans for reform.
An officer in Lewisham suggested that effective enforcement would require two practical changes: new training for officers, and top-down leadership to stress the importance of capturing social value. This would help make social value a fundamental part of contract management, rather than just a “nice-to-have”.

An officer in Hounslow explained his team’s success by reference to its reporting system. This fed back the number of apprentices hired or volunteering hours used to the relevant lead member and ruling party group. It was made possible by a combination of regular, diligent work to review pledges’ progress, and a new, dynamic data dashboard (created by a skilled member of staff) that allowed the team to constantly feed in information.

Supporting local businesses to win contracts
The work of Lewisham’s procurement team is complemented by a significant programme of business support for local SMEs from the Council. This involves regular “meet the buyer” events, where local firms meet members of the economic development team and are given advice about bidding for upcoming contracts offered by the Council or local anchor institutions.

Contract break-ups are also part of this toolkit, where large contracts are split into smaller, more manageable lots that SMEs can bid for. However, a Lewisham officer argued that contracts of a certain size, like domestic waste recycling and incineration, cannot feasibly be split up into smaller lots. Additionally, breaking up contracts into many smaller ones may require more work – and where contracts involve contact with clients, the latter may end up dealing with a number of different organisations, which in turn increases the risk of mistakes or mistreatment.

Hounslow Council took steps via its “Keep It Local” scheme to keep as much spending within the borough as possible. This included encouraging local businesses to register on the Council’s procurement portal (there are now more than 400 registered) and requiring contractors to use local businesses to fulfil subcontracts. A Council-owned service provider, Lampton Group, now purchases 80 per cent of its materials from local suppliers.

Property
As discussed above, local authorities are often faced with a trade-off between different kinds of value. Even when a local authority has managed to navigate competing priorities, there are still a range of challenges in monitoring the value generated from property use and taking a consistent approach across areas and over time.

In RBKC, this question became a topic of fierce debate in 2015 following the decision of the Council’s Corporate Property department to lease North Kensington Library to a local private school. Though a new library facility had been built nearby, local residents and campaigners complained that their children could no longer use a historic, much-loved public building due to the Council’s desire to save money. After the Grenfell Tower disaster in 2017, the plan was scrapped and the borough began to develop a new approach to its resources, known as Social Investment. The programme was designed to incorporate social value to a greater extent in decisions about the borough’s property and resources, beginning with the replacement of the Corporate Property department with a “Social Investment and Property” department.

Monitoring properties and value
All the local authorities we interviewed had experience of leasing properties to groups at below-market rates owing to the social value that the groups in question could generate. But several of the people we spoke to told us that the challenge was putting strategies and systems in place to track these deals,
collect data about the social value generated, and offer transparency and consistency.

In Hounslow – which leases some properties to community groups at sub-market prices, as well as providing an affordable workspace called “Digital Dock” for local individuals and small businesses – the Council has taken steps to address this issue. Its “Future Assets Strategy” will involve evaluating all community buildings so that the Council can ensure they are “at the service of our residents” and that “surplus” is released. Our interviewees told us it was important that the Council developed an understanding not just of Council-owned properties, but also of those owned by third parties that might be used by the community.

“A building may be being partially used but that service may be extremely and uniquely valuable”
 Officer in Hounslow

In RBKC, the Council rents a selection of properties to organisations at sub-market rates in return for those organisations delivering a set of social value outcomes. One challenge in managing this is that “there’s not enough capacity in the Council to monitor people actually following through on the commitments they make”. One officer told us: “If we are giving people a discount on their rent, we need to be open about the discount we’re giving and how much, cause that’s effectively a subsidy, the same thing as giving them cash.” In Lewisham, one councillor told us that without this consistency, there was a risk of the Council treating organisations differently depending on whether it was funding them with a grant or with a rental subsidy on a property. In Hounslow, one officer told us that they had renegotiated all rent subsidies in the borough to achieve greater clarity about the terms of agreement.

Community Asset Transfers

One approach to giving local people use of properties that the council manages is a Community Asset Transfer (described above in Chapter 2). Several of the people we spoke to were either neutral or sceptical about their effectiveness as a means of bringing about more social value.

This scepticism was informed by a variety of experiences. In some cases, we were told that the amount of time or money required for the council to support a community group to manage ownership of a property was too great to justify. A councillor in Lewisham told us that they had transferred a Council property to a community group which provided a vibrant space used by lots of people. However, use of the space “dried up” to the point that only a handful of people were using it. Our interviewee told us that they found it “difficult for us politically because [the community group has] had use of that asset for a long time but [we] have a duty to keep that vibrant, to keep it welcoming, to make sure it’s used by everybody”. They concluded: “We have moved away from handing assets over and we are now more disciplined about how we do that and I think that’s right because I think that’s best for all the residents.”

However, involving residents in decisions about property is a widespread ambition regardless of ownership status. As one interviewee argued, the process through which policies are implemented can be socially valuable as well as the outcomes of that process. Engaging and partnering with community members at a deep level is not only more likely to create a widely supported outcome; it also has positive effects in itself, such as increasing trust in local authorities, building confidence among residents that they can affect local politics, and reducing the distance between officeholders and their constituents.
Pensions
Although none of the officers we interviewed told us that their council’s pension scheme intentionally made place-based impact investments in London as individual funds, the four councils we looked at were all members of the London Collective Investment Vehicle (LCIV), the pool for the city’s LGPS funds. Some of the pension schemes for these four boroughs have taken steps to divest their funds of investments in carbon-intensive industries: these are not a focus of this report and we do not describe them in detail.

LCIV has, in recent years, created a set of UK infrastructure investment funds. In 2020 it set up the London Fund in partnership with Local Pension Partnership Investments to invest in housing and infrastructure in the capital, guided by social value-style metrics. In addition to LCIV, Newham Council’s pension scheme also allocates impact investments to London via the Cheyne Capital Management Social Property Impact Fund, which invests in social housing. Newham’s pension fund has also been exploring further opportunities to complement the Council’s plans for building affordable housing within the borough.

Across the boroughs we worked with, the focus of pension funds has largely been on climate action rather than social impact. Most of all, we repeatedly heard from officers that they were not aware social impact investing was a feasible option for local government pension funds.

Partnerships with other local authorities
It is not unusual for Londoners to live, work, and shop in three different boroughs. Some of the people we spoke to expressed concern that their residents would lose out if neighbouring boroughs engaged in community asset approaches. For instance, some told us that local procurement programmes in neighbouring boroughs could result in their residents losing out on jobs, apprenticeships, and other valuable programmes – especially in smaller boroughs.

We also heard a variety of proposed solutions to these problems. Most of our interviewees wished for their councils to operate in a more collaborative way with neighbouring local authorities. An officer in Newham expressed frustration that each borough was “repeating the same pain” of individually designing social value procurement frameworks, and proposed that a shared facility should provide common training to members, commissioners and procurers. We also heard complaints that boroughs compete with one another where they might instead collaborate.

Building on existing networks
We found widespread optimism about the potential for more collaboration between councils. A councillor in Lewisham told us about informal WhatsApp groups of officers that already shared some knowledge, and suggested that a new facility to coordinate collaboration should “piggyback” on these existing networks. Several people told us that partnerships with other councils would work best by building on existing links – such as the existing partnership between Lewisham and Lambeth to encourage local firms to pay the London Living Wage.

An officer in Hounslow described their vision for a London-wide facility to coordinate procurement activities. They suggested this should build on the existing “London Heads of Procurement Network” – a loose group of practitioners in local authorities – while potentially also including local anchor institutions. This network would help align boroughs’ back-office processes and programmes, spearheaded by support from councils’ leadership teams. We also found interest in collaborating within sub-regional partnerships, building on strong existing relationships.

Accommodating local priorities
We heard that for partnerships to be successful, they need to allow room for
local priorities. There was a broad consensus that a network which seeks to improve or ease collaboration must be light-touch and advisory in spirit in order to be successful. A senior figure at Hounslow Council cautioned that “overengineering collaboration in this space will kill it”. Nonetheless, some said that collaboration needed to reach out “beyond the converted”, and that doing so would require a sufficiently flexible definition of community asset approaches to attract councils with a variety of political priorities.

**Working with anchor institutions**

Partnerships with anchor institutions, or large locally rooted organisations, form an important part of community asset approaches.

Officers we spoke to at Hounslow Council told us that, as well as public bodies, it is important to include representatives of large local private employers in attempts to strategically reshape procurement and hiring. Heathrow Airport, which directly supports 11,000 jobs in Hounslow, was often raised as an example of a rooted private sector employer with a truly significant footprint in local labour and procurement.

The Lewisham Deal is a commitment agreed by the Council and five local anchor institutions to “work together to deliver an inclusive local economy for all our residents and businesses”. We were told that the agreement between these six organisations was made possible by setting the Deal’s commitments in fairly broad terms (for example, making contract opportunities more accessible to SMEs). Crucial to its success is an annual meeting chaired by the Mayor of Lewisham and the Chief Executives of all five member organisations. An officer explained that this senior buy-in encouraged leadership teams to request regular updates on the progress of their commitments, creating accountability.

**Involving residents in decisions**

In this section we discuss what we heard from local authorities on how to involve residents in decisions. In the next chapter, we outline what we found when speaking directly with Londoners about how they would like to be involved.

**Using clear language**

People use a variety of language to talk about community asset approaches and how they involve residents. Some wished to see more consistency in the language used, while others thought there should remain scope for language to accommodate local variety and priorities. However, all agreed it was important that the language was clear to their residents and organisations.

“We’re finding [it] difficult to articulate the definition. People don’t know what progressive procurement is … they just want to know that it means that the wealth is going to be shared equally [among] those that need it. And [that the wealth stays] within the borough”

*Officer in Hounslow*

We heard a variety of interpretations of some of the most common phrases, including “community wealth building”, “social investment”, and “social value”. None of these terms were met with universal agreement on their definition – perhaps no surprise given the relative novelty of these approaches. Some interviewees told us that they had most success when talking clearly about the aims or expected outcomes of different approaches to using the local authority’s assets, such as providing support to businesses or creating better jobs in the area.
When to engage
Some interviewees thought that local people should play a role in developing the council’s strategic priorities – for instance, what kinds of socially valuable outputs the council should prioritise in its procurement processes – with the subsequent decisions on how to implement these then left to the council. In line with this, one interviewee said that engagement should focus on the outcomes that people want to see, such as whether there was “a new digital hub on the estate, or … a brand new community centre that they can access”.

“It is something that it’s quite technical, it can also get really granular. Like you could have 50 contracts going at once and are you gonna consult on every single one and ask residents about every single one?”
Officer at RBKC

Nonetheless, another person we spoke to suggested that councils should consult local people about individual projects. At RBKC, the Council already has input from residents for its Council Plan which, the officer suggested, should inform the set of goals that the Council aims to achieve in managing its property. They noted, however, that it can be resource-intensive to do this – and hard to standardise.

Defining and measuring social value
The boroughs we worked with had different approaches to defining what socially valuable outputs to prioritise. Moreover, none had a comprehensive policy for defining or measuring what is socially valuable across their procurement, property, and pension fund.

Defining
Part of the challenge of defining social value was that councils were often relatively new to it – or the approach was led by a subset of people in the team. There is some similarity with overarching strategies such as corporate plans, but many interviewees felt there was room for a more explicit definition of what is most socially valuable to ensure consistency and accountability within boroughs.

Measuring
We heard a number of views about how a council should measure additional social value. Most of the people we spoke to agreed that some form of quantification was necessary to create accountability and prove the value of these approaches. However, there was disagreement about the merits of monetising social value, which involves converting all socially valuable outputs into a common currency.

It was widely agreed that such monetarisation was “more of an art than a science”. It is not a simple process to compare, for example, the social value of a local youth charity using an empty council building with that of a construction company hiring ten local apprentices. Across local government, monetarisation is increasingly carried out using the National TOMs framework (Themes, Outcomes, Measures) – a software package designed to produce consistent, comparable social value measurements across a diverse range of activities. There was broad agreement that momentum was behind this approach due to its ability to be customised to meet local circumstances – but some had concerns that the training requirements to use the software to its full potential were too resource-intensive.
An officer from Hounslow argued that another approach – directly reporting raw data, like the number of local jobs created, via a dynamic dashboard to be reviewed by senior leadership – led to more accountability. An officer in Lewisham told us that monetarisation disproportionately impacts small businesses, since they can hire fewer local employees in absolute terms than large businesses, and cannot scale as effectively – even if it is itself socially valuable to grow local SMEs.

Nonetheless, interviewees tended to agree that quantified social value outputs should be supplemented with data tracking outcomes – matching, for example, the number of local jobs created by a contract to overall local unemployment and wage levels.
4. How Londoners want to be involved in decisions
Between January and March 2022, we ran four focus groups across Kensington and Chelsea, Lewisham, and Newham – followed by a meeting in May to bring interested participants from each together. As part of these functions, we discussed not only how councils should spend their money and use their property, but also how local people should be involved in these decisions.

**Key takeaways:**

- We heard a wide variety of views on how buildings should be used and what a council should prioritise when buying goods and services. This underscored the importance of engaging with local people to inform decisions.

- People were generally more enthusiastic about having a say on building usage than they were about decisions on how the council spends money on goods and services. Some saw a wide range of possibilities for tangible impacts on the local community, and felt they would be able to add value to decisions.

- Participants expressed concern that some people might find it more difficult than others to engage, and said that councils should take steps to enable them to take part.

- Crucially, many people told us that their participation was conditional on it having a real impact on the council’s decisions.

**Methods**

Three focus groups were conducted virtually, and two in person. All lasted between 60 and 90 minutes, and we compensated participants for their time. In four of the discussions we spoke to adults, while in one we spoke to young people from Lewisham.

We asked participants what their council should do with a theoretical empty office block, library, or town hall, and what factors the council should prioritise in choosing a construction company or social care provider to fulfil a contract in the borough. We also asked which decision they would be most interested in being involved in, including the following options:

- Which business will provide food for lunches at local schools?

- Which organisation will run a local park café?

- How to make use of an empty town hall

- Which construction company will work on a local project?

- Which organisation will provide social care in the area?

We additionally asked how participants would like to be involved in such decisions.

**What decisions people want to be involved in**

From the options that we gave people of decisions they might want to be involved in, participants were most interested in having a say in how their council managed a building that it owned. In our example, the building was a town hall or office building that had recently become vacant. Participants told us that they thought the use of such a building would have a significant impact on the local area, and in many cases they told us they felt more
qualified to address this kind of decision than some others. When asked why they thought it was important to influence how an empty building was put to use, participants regularly mentioned the waste incurred by an idle council-owned building, and often referred to specific buildings in their borough – libraries, town halls and even privately owned buildings. For some, the need for affordable homes across their borough spurred interest in being involved in property-related decisions.

“The world’s your oyster potentially with an empty library or an empty town hall, you could really do something that could have a real impact”

Lewisham resident

Lots of people also expressed an interest in being involved in deciding which social care provider the council should commission – an interest which was sometimes driven by personal experience with the care system. We also heard that involving local people in decisions could encourage them to develop knowledge and skills in the area. However, some people were concerned about the technical aspects involved in certain decisions – for example, about which social care provider to choose – and the limits imposed by existing rules and regulations.

What people think the council should prioritise

We gave participants a list of potential options for what the council could do with an empty council building – such as selling it to developers to build housing, or repurposing it for community space or affordable workspaces. We also asked participants to share anything else they would like to do with the building that we hadn’t included, and discussed the thoughts behind their priorities. We then repeated the exercise for what the council should prioritise when selecting a construction company.

Among the people we spoke to, the most popular way to use an empty council-owned building was to build affordable homes, whether through retrofitting the existing structure or demolition. Several participants made clear that such homes should be genuinely affordable to local people. We also heard concerns about whether the resultant housing would be of high enough quality and safety – a sentiment echoed in answers to our question on what the council should prioritise in hiring a construction firm.

“Without housing, there’s no meaning to entertainment, libraries, or parks”

Newham resident

One person said that anyone making a decision about how to use a public building should be given information about the borough’s needs – such as for housing, jobs and amenities – or else risk creating an “underclass” without access to these. Instead, it might be preferable for the council to use the site to attract jobs for residents through providing space to businesses.

The next most popular option was creating a community space in the empty building. We heard a variety of creative proposals, from facilitating youth workshops to prevent crime, to creating a meeting space for isolated older people, to building music studios and arcades for local young people. Someone noted the lack of secondary school places for children within their borough and proposed building one.

Many participants proposed providing affordable workspaces to facilitate jobs for local people, with one young person also noting that it often felt too risky for many south London residents to start innovative businesses due to financial precarity. Affordable workspaces could, they argued, improve social mobility.
“I feel like a reason that there isn't a lot of innovation in areas like south London is cause it's too risky to try and innovate. Especially if you are not someone that's in a very well-paying job or wealthy.”

Lewisham resident

One of the options we provided for how to use an empty building suggested that the council seek a financial return by selling it to a developer or renting it to a commercial business. Some participants stressed the importance of considering the potential for such an asset to provide income for the council, including one who said that the council couldn’t take care of the “most vulnerable people” without resources. However, others warned that although selling property to developers could bring in a short-term injection of cash, keeping buildings in council ownership and renting them out to businesses and social enterprises would produce a longer-term revenue stream through the local economy.

Several people proposed mixed-use schemes, with community or commercial spaces on the ground floor (particularly on struggling high streets) and housing on the floors above. One participant proposed cross-subsidising social housing and community space with private sales of some units, suggesting the council could support creatives and local businesses as part of this process. A young person in Lewisham compared this idea to Lewisham Local, a local charity funded by the Council that occupies the ground floor of a mixed-use building.

“I'm a big believer in like multi-use spaces … the ground floor could be used for a space that can be multidisciplinary and taken advantage of by, you know, lots of different groups within the community. And if that can be sort of, self-funded like a social enterprise, for example, then it means that at least it's not gonna cost the council any money.”

Lewisham resident

We also asked participants to choose between a number of construction firms, each of which prioritised something different – such as employing local people, delivering at the best price, or having the lowest environmental cost. A construction firm which promised to employ local people was the most popular option presented, with one person telling us that by requiring jobs for local people, the council would be “feeding into the whole chain” of the local economy. Another argued that local employment gave people a “stake in the area”. A third agreed but argued that the jobs offered should depend on the skills of local people – if there was a lack of construction skills in the area, the contract should focus on apprenticeship requirements. Not everyone agreed – one participant argued that the council should prioritise achieving value for money, with the caveat that it should place safety and quality above this given the experience of the Grenfell Tower disaster. Few participants argued that the council should always choose the firm that paid the highest wages.

Who should be involved in decisions

There was widespread interest in residents being granted more of a say in decisions regarding properties that the council managed. However, we heard a variety of opinions about who should be involved.

After someone pointed out that they spent most of their time in a neighbouring borough (where their job was based) but could not use
council-run gyms there, another suggested that anyone who could show that they “live, work or study” in a borough should be consulted on the question of an empty council-owned building. Another person argued that the people who regularly use a building should be consulted on its future, as set by a scoping exercise to ascertain usage and interest. Others said that their interest in being involved in a decision – for instance, whether to demolish a council-owned property – was not so tied to where in the borough, or in London, they live.

“If they were voting for fruit in schools, I don’t have an interest in schools. I’d rather make sure that somebody who has children in school had that decision. But if it was to do with the empty town hall or the empty library [near where I live], then yeah, I would like to have a say in that because I live near it and I might want to use it.”

Newham resident

“Newham is an enormous borough. I mean, I’m not really too fussed what happens on the other side of it because it’s too far away to make a difference to me. And I wouldn’t necessarily know what the people in that area actually wanted or what their particular problems are.”

Newham resident

Several young people in Lewisham stated that they felt political engagement favoured older people with more time and excluded young people. One participant said that young people would become more involved in such discussions if they felt their voices would be heard and meaningfully translated into change.

How people want to be involved

We asked participants how they would like to be involved by the council in decisions about spending and property use. We discussed which stage of the process people wanted to be involved in and how much time they would be willing to give up. We also considered a number of formats for engagement, including surveys, interviews, focus groups, and joining an advisory board which meets multiple times.

Some people talked about a sliding scale of engagement: they would be happy to fill out surveys about issues they had fewer personal connections to, but could stretch to attending focus groups, neighbourhood forums, or interviews for issues closer to their heart. For example, when discussing how to use an empty council property, people tended to express greater interest in influencing the purpose the building was put to than in being involved in the design of the building once that decision had been made – and hence more willing to give up their time for the former.

Several participants pointed out that the questions of how engagement was facilitated and who would be engaged were inseparable. Several supported providing online formats (such as surveys, online focus groups and forums) alongside in-person ones, to enable residents whose jobs or family obligations made time-consuming engagement difficult. One person stressed that compensating participants for their time was crucial to involving a diverse section of the population.

The people we spoke to generally agreed that less time-intensive forms of engagement (such as surveys) can enable a more representative
group of people to respond, but stressed that there were merits to using other forms too. For instance, one person suggested that it was difficult to make detailed decisions via surveys, and that they wouldn’t want very important decisions to be made on that basis alone. Some thought that a focus group would allow space to discuss things in detail, as well as more meaningful engagement with other people. When asked about whether they would be interested in joining an advisory board which met multiple times to inform a decision such as how to use a council property, participants expressed concern that the time commitment was too great for them or for others.

“I’d say for the first stage [a] survey might be good and then a focus group and then an interview and that sort of thing, that progression might make more sense.”

Lewisham resident

“It can be a bit frustrating to, you know, give up one’s time for these things and then, you know, nothing comes out of it.”

Newham resident

While we heard support for a range of formats for engagement, one person also expressed their concern that relying on too much engagement, via a variety of means, could lead to the council spending too much money or time on making a decision.

Crucially, many people told us that for engagement to be successful, it had to have a real impact on council decisions. One said that neighbourhood forums in their borough were “a talking shop” and “ineffective”, arguing that engagement over community assets would require a “formal structure with decision-making power” and budgets. Another preferred a “direct democracy” structure – where all residents of the borough would be given the chance to vote on, for example, how an empty town hall building would be reused.

The variety of opinions expressed by the people we spoke to underscores the importance of local engagement on these issues, as well as the wealth of ideas that people have about how the council should use its assets.
5. Further guidance for local authorities
Earlier in this report we set out a list of key recommendations to help local authorities make the most of their assets. Some local authorities may wish to go beyond these recommendations, and in this final chapter we describe some further steps that they could take.

**Define what you want to achieve**
Local authorities should consider engaging the target beneficiaries of social value pledges (for example, the recipients of apprenticeships, or those who rented a space at subsidised rents) to understand their view on the impact of the intervention.

**Make sure you deliver against your aims for each type of asset**

**Guidance on procurement:**
- Councils should publish the results of strategic and social value procurement to create a political dividend for its use and celebrate good practice.
- Where possible, councils should provide training to staff on how to define appropriate social value pledges, how to evaluate them in tenders, and how to assess what is delivered by contractors.

**Guidance on property:**
- Consider using the income generated by companies renting space in publicly managed buildings to subsidise the cost of local SMEs or community groups using other publicly managed buildings. International House in Brixton is an example.
- Consider subsidising the cost of renting workspace in publicly managed buildings to bring about social value – for instance by granting business rate discounts to firms renting the space who sign up to become London Living Wage payers. Local authorities could directly link discounts to measurable social outcomes.
- Create a policy for how Community Asset Transfers will be managed to ensure consistency between assets, and develop a shared understanding of the circumstances under which a CAT will be considered (as well as the process for doing so).

**Guidance on pensions:**
- Local Government Pension Scheme (LGPS) funds should consider consulting transparently with pension members to evaluate their priorities. Providing evidence of members’ priorities gives an LGPS fund vital information to inform its investments.
- LGPS funds should consider adding modules on local place-based and impact investment to the existing mandatory training for pension committee and board members.
- To inform future decisions, LGPS funds should consider conducting a review of the geographical spread and social impact goals of their existing fund allocation.
- Where LGPS funds invest in local place-based projects, they should build a coalition with other stakeholders. These may include other investors in the area, the local authority, anchor institutions, employers, and community groups.
Join up your work with other boroughs and anchor institutions

Local authorities may consider the following actions:

- **Procurement**: Work with other local and regional authorities to simplify and standardise the process by which small and diverse businesses can win contracts. Work with local anchor institutions such as schools and employers to support better links between skills and job opportunities.

- **Property**: Create a social value property management company that manages a portfolio of affordable workspaces.

- **Pensions**: Pool resources with other local authorities to cover the costs of conducting due diligence on local investment projects and retaining consultants.

Work with residents to define your approach

We give some examples below of how local authorities might engage local people on decisions concerning the three types of assets we have looked at in this report.

- **Procurement**: The local authority engages a representative sample of residents to identify their priorities for how the council manages its assets – from getting a greater financial return to providing more jobs or apprenticeships locally. This could be done as part of the local authority’s approach to defining what it means by “social value” (see Recommendation 1). The priorities of residents can be used to build a “menu” of socially valuable priorities that the local authority can ask contractors to provide as part of their delivery of a contract: for example, as part of “improving skills”, a contractor might offer to provide apprenticeships.

- **Property**: A building that once housed council staff is now sitting empty. The local authority publicises a survey that all residents can complete if they wish to; the survey presents a number of ways that the building could be used in future, in line with the council’s definition of social value (see Recommendation 1). The responses, along with meaningful engagement with other stakeholders locally, suggest that the most popular option is using the building as affordable workspace, with one floor dedicated to providing community space. The local authority identifies a smaller group of residents to work with to decide in more detail what features the new building should have.

- **Pensions**: A local authority pension scheme fund consults pension members directly to gauge their priorities for how their pension is invested. It then uses this information to inform future investment decisions – including the extent to which it invests in local place-based projects and the kind of social value it aims to bring about.
Endnotes

1. You can find out more about the London Anchor Institutions’ Network at: https://www.anchors.london/

2. The Forum is currently run by Pensions for Purpose and supported by the Impact Investing Institute and others. You can find out more here: https://www.pensionsforpurpose.com/Member-Forums/Place-Based-Impact-Investing-Forum.html


5. See https://www.lgpsmember.org/about-the-lgps/about-the-lgps/the-figures/


9. Authors’ interview.


23. Interview with representative of Be First.
27. London CIV manages assets of all boroughs except Richmond. See https://londonciv.org.uk/
32. GLIL. (n.d.) Portfolio. Retrieved from: https://www.glil.co.uk/portfolio
35. Ibid; and author’s own interview.
45. See https://londonciv.org.uk/
49. Correspondence with council officers.
50. Royal Borough of Kensington and Chelsea (2020). Forward 2020: Organisational Change at the Council. Retrieved from: https://www.rbkc.gov.uk/committees/Document.ashx?czJKcAEi5FU-FL1DTL2UE4zNRBcoShgo=UpDY3akAn%2BHUKfcoUqrxPU2BM-CZy8Af%2FWPliqcWJnDbWx3cCVh1w%3D%3D&rUzwRPf%2B-Z3zd4E7kn8Lyw%3D%3D= pwRE6AGFLDNl225F5QMaQWCTPHwdhUfCZ%2FLUQzgA2uLSjNRG4dQ%3D%3D&mCTlb- CubSF1xsDGW91Xnlq%3D%3D=hFFlUdN3100%3D&kCxt1AnS%2F-pWZQ40DXvdEw%3D%3D=hFFlUdN3100%3D&uJovDxwdjM-PoYv%2B AjytyA%3D%3D=ctNJFf55vVA%3D&FgPIEJYlotS%2BY-GoBl5olA%3D%3D=NHdURQburHA%3D&d9Qjj0ag1Pd993jsyO-JaFvmyB7X0CSQK=ctNJFf55vVA%3D&WGewmoAfeNR9xaBux0-r1Q8za60IayYmx=ctNJFF55vVA%3D&WGewmoAfeNQ16B2MHuCpM-RKZMwaG1PaO=ctNJFf55vVA%3D
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