Case Study

Integrating Social Value into Planning

Introduction

When developers, Legal & General Property (L&GP), approached the London Borough of Hammersmith and Fulham (LBHF) with a proposal to redevelop a large property (fig. 1), the combined parties wanted a question answered: When it came to handing over the scheme's development levy, called the Section 106 (S106), would focusing on social value (SV) give the local community better outcomes than was usually the case? In the case of L&GP's £100m project, 245 Hammersmith Road (245 HR), the S106 contribution was set at £1m. The team worked with Social Value Portal (SVP) to examine if there were benefits to the new approach for those involved including the people of Hammersmith. Our pilot, which was jointly funded by the British Council for Offices, showed that using Social Value as a means of assessing community contribution could deliver an additional £100m over 10 years of occupation - and more than £300m over a 30-year period – all at no additional capital cost.

The process would be more collaborative and less confrontational, and the benefits to the community would be delivered over a longer period.

Figure 1: Proposed development by Legal & General at 245 Hammersmith Road

How Things Normally Get Done

"Social value" - looking beyond the price of each individual contract at the collective benefit to its impacted community - is not specifically mentioned within the planning process.

This levy or contribution (both a S106 agreement and the automatically calculated and applied Community Infrastructure Levy (CIL)) is agreed between the council and the developer as a legal condition of planning consent being granted.

As is to be expected with any matter issuing from a planning department, the focus has nearly always been on the physical realm: cash might be levied to pay for a built-environment solution such as a park or to pay for traffic lights to reduce congestion.

While there may be some stipulation on community in S106 contributions - such as decreeing that a percentage of the building contractor's spend should be in the local area or to create jobs - little thought is given as to how best to leverage the contribution – or even if it is the best option. And it's rare indeed that the local community is consulted about the problems they would like to see fixed.

The lack of specificity in the process is part of what drives the hard-bargaining approach familiar to both planners and developers, with the former asking for more and the latter lobbying for less, creating conflict at the start of a project.

Leveraging Social Value for 245 Hammersmith Road Planning Consent

The new building, designed by architect Sheppard Robson replaced an outmoded office block and will be built by Lend Lease over 106 weeks.

However, the project team looked at an alternative to the traditional S106 cash-negotiation approach for a number of targeted measures developed following the consideration of local needs. The assessment was carried out in close collaboration with the Council, the developer and main contractor.

TOMs Matrix

The first step was to develop a means of measuring social value - this is called the TOMs Matrix that is developed to reflect Council priorities and the needs of the local community where:

— **Theme** Overarching principle that the Council is looking to deliver
— **Outcomes** The social outcome that the council is looking to achieve
— **Measures** The means by which the Council measures delivery of the outcome against targets
— **Value** Equivalent financial value (fiscal savings + economic benefit + social well being)

We also used a formula to calculate the actual social value of the measure over time.

Total social value (£) = ∑ (no. measures delivered x financial proxy)

Table 1 shows how we could help more young people into work, as well as how we would measure the efforts, and the total estimated financial benefit to the community of the initial investment. It demonstrates how a local authority might be wiser to spend the money in areas where non-mitigation has more negative impacts rather than on a traditional infrastructure project

The assessment was based on a series of themes and outcomes. These were supported by detailed measures reflecting local needs. The whole was organised to allow a comprehensive and quantitive analysis of the potential activites to be undertaken.

THEME	OUTCOME	MEASURE OR INITIATIVE	VALUE
The principle issues being considered.	A series of social outcomes that support the theme	A measure against which progress may be reported	£value to society of the outcome being deliveredcontracts
E.g. Social Issues	E.g. More local jobs	E.g. No. of jobs for young people not in education, employment or training NEETS[1]	E.g. £14,438/annum

Table 1: Examples of TOMs measurement matrix with proxies

We showed the potential positive qualitative impacts some of the other themes could have in areas in which the local authority could target improvement along with the positive outcomes that could follow from investment in the area (table 2).

Life Cycle Spend for Added Community Benefits

THEME	OUTCOMES
Economy: Skills and Employment	Delivering employment for people in LBHF Improving skills for people in LBHF Opportunities for disadvantaged people in LBHF Supporting diversity
Economy: Promoting Local and Responsible Businesses	Opportunities for Companies in LBHF Opportunities for SMEs and Social Enterprises in LBHF
Society: Creating Stronger, Healthier Communities	CVOs from LBHF employed in the supply chain Volunteering in the Community An effective and resilient third sector Working with schools in LBHF
Environment: Protecting and Improving Our Environment	Better places to live Efficient use of resources Improving the climate and local environment Sustainable Procurement
Promoting Social Innovation	Other measures that deliver social value

Table 2: Themes and outcomes used to assess the social value of 245 HR Hammersmith Road

[1] Not in Education, Employment or Training
[1] Social Value combines fiscal savings and economic benefits as per unit cost database v1.4. Ref E&E 10.0 - http://neweconomymanchester.com/stories/832-unit_cost_database

During the "simple" contribution-based approach, local authorities can only hope to benefit from the additional levy afforded by the landlord and based on a viability appraisal; a smarter approach pioneered by Social Value Portal and designed to focus on community benefits, allowed the team to look at broader benefits to the local area and society as a whole.

Potential positive impacts were divided into the three stages of the building's life to ensure that nothing was left out, as shown in table 3.

— **Material sourcing and manufacture**
Where do the materials and products come from and how may procurement be optimised to enhance value especially for the LBHF?

— **Construction**
How can the main contractor make best use of local suppliers and labour? What additional community activities could contracting teams be engaged in that deliver value?

— **In-use**
How might the building as inhabited contribute to improving the local area? How can occupiers be motivated to engage with local issues in so as to improve their own CSR or community engagement programme, if any?

We also measured the additional benefits that we expect to be delivered by the development above and beyond "business as usual."

We call this the social value-add (£SVA) as shown in figure 2.

	ITEM	MATERIAL SOURCINGS	CONSTRUCTION	OCCUPATION
Example: local sourcing	BAU	10% sourced locally (S106)	15% local employment	5% local employment
	Stretch	20% sourced locally	25% local employment	20% local employment
Example: embodied carbon	BAU	0% embodied carbon savings	0 positions for people with disabilities	0 hrs/person/year Community Engagement
	Stretch	20% embodied carbon savings	Two positions for people with disabilities	20 hrs/person/year Community Engagement

Table 3: Example business as usual and stretch targets for materials sourcing, construction and operation

Our Results

The results (fig. 2) show that significant **additional value** may be unlocked for the community by looking beyod S106 and focusing on social outcomes and that additional social value (£SVA) is generated through every stage of the building life cycle through the choices made about materials sourcing, employment decisions, environmental considerations, building management solutions and corporate social responsibility (CSR) programmes:

1. Manufacture and construction:
It matters significantly to the local community where materials and labour are sourced during manufacture and construction. The design and contracting teams should share information and tactics to make the most of these local opportunities through things like "meet-the-buyer" events, liaising with specialist recruitment agencies and Jobcentres and regional agencies that deal with SMEs.

2. Building occupation:
When considering the total life cycle of the building, it is the occupier(s) who can make the largest difference. Although the development team rarely has influence over the occupier, the building manager has a significant opportunity to boost local opportunities.

TOTAL POTENTIAL SOCIAL VALUE ADD OVER 10 YEARS

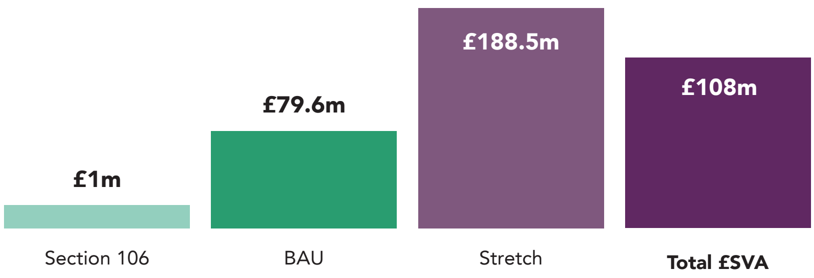

Figure 2: Social value add compared with rental returns over one, nine and 32 years, including construction period.

3. Building management.
The building management team has a significant role to play in maximising the delivery of community benefits both in how they award ongoing service contracts and in how they support occupiers when the latter comes to focusing their CSR activities in the area.

Table 4 below shows how, for 245 HR, almost 60% of the typical annual management budget could be redirected to add benefit the local area.

5. Social Returns:
We calculated that using a social value framework as a means of measuring (and focusing) community contribution could unlock an additional value of over £100m over a 10 year period through an engaged process. This dwarfs the potential S106 contribution of £1m (table 4).

ITEM	MANUFACTURE	CONSTRUCTION	SECTION 106	BUILDING MANAGEMENT (ANNUAL)	OCCUPIERS (ANNUAL)	TOTAL SOCIAL VALUE (10 YEARS)
Business as Usual	£491,618	£111,309	£1,000,000	£221,727	£7,584,367	£79,663,867
Stretch Target	£4,916,182	£2,187,346	£1,000,000	£1,137,655	£16,902,187	£188,501,948
Social Value Add (SVA)	£4,424,564	£2,076,037	£0	£915,928	£9,317,820	£108,838,081
SVA as a % Dev. Cost	**4%**	**2%**	**0%**	**1%**	**9%**	**109%**
Social Return £SVA psf	**£16.77**	**£7.87**	**£0.00**	**£3.47**	**£35.32**	**£412.57**

Table 4: Addressable costs for building management services

What We Learned

This case study shows that without appropriate intervention, a huge amount of social value (and community benefits) arising as a result of the development would have remained **unaccounted for or missed** due to a lack of understanding in both how value is created *and* measured.
Our research shows that, without a proper way of quantifying social value, neither developers nor local authorities can properly quantify the potential opportunity and that wider community benefits may be lost in the noise of s106 negotiations and that additional guidance is required if communities are not to miss out.
The work also shows it should be possible to deliver additional social value at *no additional capital cost*, although there may be impacts on programming and procurement processes and that delivery of social value would be even further improved through the use of a 'best endeavours' clauses to engage occupiers.
For 245 HR, where the total S106 contribution was £1m but the potential £SVA over 10 years was £100m, it seems it would be worthwhile for LBHF to establish a social value planning framework to allow more effective negotiations, and explore how it could invest into more effective job creation prgrammes delivered by the developer rather than taking this responsibility upon itself.
However, if this is to happen in the future, it is clear that both developers and planners need to agree that the primary beneficiaries of S106 should be the local community, and that negotiations should should focus on these outcomes, rather than cash contributions alone. They must also be contractually agreed proper measurement of social value performance metrics for the duration of the project.
Making better use of social value will lead to a win-win situation for all, as developers and building owners are encouraged to get more involved with the local communities. This will strengthen the local area and result in better asset performance and potential cost savings to the local authority.

The wider context
Extrapolating our findings to the wider UK, we estimate that the lost social value opportunity **could be as much as £15-20bn / annum**[4]. This would make a significant contribution to reducing the impact of the cuts being faced by the public sector.[5]
Our work indicates that there is an overwhelming case to rethink the manner in which developers and planners negotiate the terms of their S106 and CIL agreements: Namely:

- **S106 negotiations** should focus on BOTH cash contributions AND community benefits rather than cash contributions alone;
- **Community outcomes** should be valued against a social value framework and compared with any cash contributions suggested by the developer;
- **Building managers** should focus on local sourcing and through occupier 'buy local' and community

[3] OSCAR – http://www.jll.co.uk/united-kingdom/en-gb/services/developers-and-investors/property-and-asset-management/oscar-service-charge-analysis

engagement programmes. It should not add capital cost, although it is likely that present procurement and management practices will need to be adapted.
— **Communities** should be actively engaged throughout the process, and supported to develop their own community social value charters and TOMs matrices to ensure priorities are identified and local needs are met.
— **Business rates**. From 2020 local authorities will keep all taxes raised locally from business rates and so it will become even more important to ensure that they remain resilient and economically successful.

Our Top Tips for Achieving Social Value

For Planners: Planners have a key role to play in setting the basis for negotiations, especially in encouraging developers to consider lifetime impacts. As the principle 'guardians' of community interest, it is right that they remain wary of unscrupulous developers who want to get away with paying less by any means possible. But in doing so they should not penalise development teams that want to take a long-term view and get involved in meaningful community engagement. Planners should work with council procurement teams and community groups to develop a common set of TOMs that reflect local needs. These tools can be used to expand S106 negotiations based on shared social outcomes and community needs.

For Developers: There are a number of clear benefits of developing a social value strategy including a smoother planning process, a more supportive community all leading to an enhanced reputation. Some may be wary of yet another issue that increases cost and complexity. But, as the case study indicates, adding social value can be cost-neutral and may in some cases improve site viability for planning. Developers should ensure that social value is embedded into all contracts with design teams, contractors, building managers, agents and occupiers.

For Occupiers: Our analysis reveals the obvious fact that the occupier is an essential part of the community rather than a "temporary resident" and has a massive role to play in making their communities better and more vibrant places to work and live.

Occupiers should be encouraged to sign up to a community (social value) charter This should include a 'best endeavours' clause so occupiers develop policies in their procurement and supplier decisions **as well as** a community-outreach programme. Company lawyers will also have a key role in ensuring that such measures are not redacted during negotiations.

[4] Based on figures for 2019 [5] Procurement spend across all Local Authorities in England and Wales was over £106bn in 2013/14. This is, however, significantly less than the development spend which in 2013/14 reached £122bn and by 2019 is predicted to reach £150bn/year

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