

THE REAL VALUE REPORT

Establishing the real value of development



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Contents

Foreword	3
Executive summary	4
Key findings	5
Key recommendations	6
1 Aim and context of the report	8
1.1. The aim of this report	8
1.2. How the Working Group arrived at this point, a brief summary of Phase 1	10
1.3. The rise of inclusive or 'good' growth	10
2 An examination of the custom and practice of how property is currently valued	12
2.1. What people value about their built environment and how to create it	13
2.2. Why has it been hard to value the elements of property and places that people enjoy?	13
2.3. How existing advice deals with non-market and societal valuation	14
2.4. Establishing societal value through tools	16
2.5. Evidence of barriers to societal value	16
3 Alternative approaches to societal valuation	18
3.1. The case for measuring and reporting on societal value	19
3.2. How would a change to the regulatory regime facilitate the incorporation of societal value?	19
3.3. Could a change in the culture that governs land and property valuation contribute to the integration of societal value into development?	21
3.4. How new economic funding vehicles or practices might overcome the tension between viability and societal value	22
3.5. Evidence of how societal value has been integrated into mainstream development projects	24
4 What tools and decision-making aids would help all parties to accelerate a better understanding of societal value?	32
4.1. A description of how the monetisation of added (societal value) is now possible with the advent of new valuation methods	33
4.2. Key aspects of societal value	34
4.3. Widening the understanding of value beyond site boundaries	37
4.4. Metrics	40
4.5. Generating societal value from people's experiences and metrics	40
4.6. Examples of the way societal value has been attributed to development projects	42
5 Implementing change	46
5.1. How cultural change might be influenced	47
5.2. How change in regulation or best practice guidance might be influenced	48
5.3. How funding and investment practices might be influenced	49
6.1. Key findings	52
6 Findings and recommendations	52
6.2. Key recommendations	53
7 Terminology	54
Project team	56
Working Group contributors	56
Additional interview material from	56
8 Acknowledgements	56
References	58

Foreword

In undertaking this research some have asked us: why would a law firm commission research about measuring social value? We work with clients across the private and public sector and on a wide variety of projects, from city scale masterplans to individual restaurants. We believe that real estate as an industry is a critical driver not only for the economy but for society. As an engaged and interested part of this industry we see the benefits that good development can bring. We believe that establishing a true measurement of the wider impact of development will allow financial value to be written into feasibility studies, viability studies and planning applications and will result in a greater commitment to long term quality as a means to societal value and financial return.

This is the rationale behind linking financial return to societal value. But we have also been asked who does this research benefit? This is about providing a catalyst for a greater tendency in real estate to build for long term value not short term gain; that a development agenda based on the needs of people and society makes financial sense. This research is about giving the industry the means to look beyond the property cycle.

This is the second research report we have published on this subject. The first was launched in March 2016 and initiated an incredible range of discussions across the industry. There was a huge amount of interest and we discovered many others working in this area. This document is a natural extension of those conversations.

This study goes into more depth about the techniques and tools to measure social value and makes suggestions and recommendations for both the public and private sector. We welcome discussion and debate with the industry and encourage you to get in touch. We embrace robust discussion of the ideas of change that are explored in this work. While ideas and proposals have been put forward, the issues are complex and we welcome dialogue with anyone who feels this research is relevant to them and which contributes to better development in the future.

We look forward to talking to you.

To join the discussion follow [#RealValue](#) or [@Trowers](#) on Twitter or email us at realvalue@trowers.com.



Sara Bailey
Head of Real Estate

“There is an urgent need to inform people across the industry in a simple, transparent, standardised way about how to forecast the social value that a scheme is intended to create and then to measure how it actually performs on completion.”

Liz Peace CBE, Formerly CEO British Property Federation

Executive summary

This report seeks to make the case that the greatest financial return on investment is achieved by creating buildings and places in which people and communities thrive.

For this to occur, we believe that real estate projects have to be both financially beneficial to the investor, and generate sufficient long-term societal benefit for those who experience the development. If both these factors are to be established, then societal value needs to be understood, measured and reported in a way that is transparent and understandable to all of those affected.

This report follows on from the 2016 publication 'Highly Valued Hard to Value: Towards an Integrated Measurement of Real Estate Development'. The 2016 research identified key aspects of value in international real estate including cultural, design, functional, social, environmental, accessibility, brand and long-term benefits. It also investigated the ways in which these aspects were measured in the real estate industry and asked whether it was possible to create an integrated methodology for both financial and societal value. The report identified four avenues of action to achieve a better, holistic understanding of valuation in the built environment. These included:

- Inform industry about the tools to provide a broader understanding of urban quality and development
- Enhance current valuation methods
- Provide policy back-up and influence, and a refinement to planning policy in particular
- Introduce performance metrics that correspond to what is valued by stakeholders

The ultimate goal of our ongoing initiative has always been to help remove the barriers to creating better built environments by helping government and the industry to take a fresh look at valuation methods, review planning policy and to work towards better performance metrics. These measures will, we believe, help to change the way society views the true value of development.

In the process of our investigation, we explored a number of sub-issues, including the reasons why a more comprehensive or inclusive valuation method for real estate is not, as a rule, being adopted as common practice by the sector.

The recommendations are intended to have a positive impact on development and thereby alleviate some of the challenges currently being faced by all actors in the real estate sector.

The report contains examples of practical tools, advice and sources to help those interested in doing more to understand, maximise, measure, calculate and report on the combined financial and societal value of development. This includes a number of case studies which help to illustrate the way pro-social and pro-environmental elements have been incorporated into designs to ensure inclusive benefits for a wide range of people.

We have also summarised current methods of property valuation. We look at financial returns and market valuations before moving on to an exploration of how the emerging alternative approaches to measuring and reporting the societal value of development is beginning to be adopted in the industry.



Key findings

The key findings from this report can be summarised in the following manner:

The link between financial returns and creating buildings and places in which people and communities thrive

- Accounts from the practitioners who were interviewed for this report show there is strong evidence that property and development that creates societal value can produce higher levels of financial return compared to schemes that do not.
- A search through the literature and accounts from interviewees for this report shows that the information needed to prove that development rich in societal value is worth more on the open market is not being routinely collected and so, at present, this assertion is difficult to prove.
- The industry has identified a number of challenges that limits the ability to deliver societal value in many types of development schemes.
- A key technical barrier to establishing societal value is the erroneous belief that it is not possible to place a monetary value on social and environmental change in the built environment. Using methods of valuation based on the accounts of those who are directly affected by development, it is now possible to provide transparent and evidence-based societal values to compliment conventional financial valuations of property and development.
- Societal value needs to be discussed at the early stages of the development process, and between all parties that are going to be involved in the establishment of the development.
- Many local authorities face multiple barriers when seeking to increase the societal value of proposed development and address the needs of their communities. These include under-funded planning and regeneration teams, concern about risk in relation to public expenditure, perceived legislative constraints around the disposal of land and assets, and in the formulation of legal agreements.

Common features of developments that create significant societal value

The case studies featured in this report share the following aspects of development:

- A strong (often ambitious), clear, aligned and well communicated long-term vision between local authority, developer, investor, local community and local businesses.
- One (or more) stakeholders with the aspiration and drive to create a legacy asset.
- An investor who is prepared to accept a patient approach to achieving long term, low-risk returns.

- A developer who is intimately acquainted with the needs and wishes of the local and adjacent communities, and who is committed to enhancing existing public assets to generate a sense of place in the short, medium and long term.
- A public-sector partner who is able to take a flexible long-term interest and involvement in a development and has the skills, experience and resources to actively participate and steer a scheme toward inclusive goals.

The need for more and better techniques, metrics and ways to understand the societal value of development

- There is an opportunity for a change of culture among all those involved in the development process that favours an interest to maximise societal value in every proposed scheme.
- Existing (conventional) methods used to value real estate and property are effective, but tend to undervalue or overlook the impact development has on people.
- New economic thought such as the inclusive growth or good growth (as described in the Draft London Plan) suggests that investment in development should benefit the widest number of people which infers both financial and societal value.
- Measuring and reporting societal value in the built environment could be carried out as a parallel exercise to financial valuation. Separate guidance could be drafted to standardise some techniques and assist those who wish to adopt the new discipline.
- Short-termism presents barriers to the creation of societal value. For example, some private sector investors are unable to wait for social and environmental benefits to pay dividends, while the electoral cycle and the need to supplement falling central grants affects the decisions made by the public sector.
- For those organisations that are seeking assistance with societal value, there is a small but growing group of experts utilising an approach based on social return on investment that is capable of monetising societal value. The approach is based on stakeholder accounts and socio-economic statistical data.
- There is the potential for new financial mechanisms to overcome the gap between conventional development, and development that maximises societal value. Encouragement of impact investment and patient capital into property, and the ability of government to guarantee impact bonds are a few examples of how these mechanisms might take shape.

Key recommendations

Shifting current practice to include reporting on societal value

- There is a need for a fresh impetus across the industry to create accepted methods to define societal value. Accountants and the RICS in particular, are well placed to use their considerable influence and expertise to accelerate the acceptance and use of societal value. They can do this by issuing guidance that societal value should feature as a standard chapter in every report that members of professional bodies produce. Commissioning new research, cross-discipline debates, and working with HM Treasury on new guidance would contribute to this aim.
- A review of the Green Book led by HM Treasury would enable the industry to revisit the advice on non-market valuation methods. The Green Book could add to the technical advice on how to monetise social and environmental change and suggest that all appraisals of proposals should include an attempt to report on societal value before committing funds to a policy, programme or project. An evaluation mechanism that confirms whether the value was actually created once the project is completed should also feature in this advice.

Improving techniques to understand how people feel about their surroundings

- Skills, training and qualifications could be developed for valuers, planners and designers to understand the experiences of stakeholders and what is important to communities so that an accurate assessment of the societal value of projects can be made. There are differing views on who should provide this training, but there is consensus that there is a need for a formal accredited programme which is accessible to all parts of the industry.
- Funding for continuing development of both financial and non-financial valuation methods for the property and development sector could be made available to higher education and research establishments.
- A review of how public consultation is carried out during the development process could result in a more effective partnership between communities and developers.
- The nature of information required by planning authorities could include a report on the existing socio-economic and social infrastructure of the receiving area, and an accurate and representative understanding of the community's aspirations for themselves and their area.

What can be done by central government?

- A Green Paper on Societal Value and Development could be commissioned and published by the Ministry for Housing, Communities and Local Government. This could

set out a new approach on how to establish the viability of development and regeneration projects, so they conform to the inclusive growth model. The Green Paper could also cover proposals on how to reform planning law and the Social Value Act to ensure societal value is incorporated into every planning proposal.

- Develop a common framework on how to forecast and evaluate societal value. Encourage or legislate for this to be an accepted industry practise in the way that BREEAM and LEED have been adopted for environmental performance.
- A programme to reform planning law (S106, best consideration etc.) and the Social Value Act could be tabled to ensure societal value is incorporated into the development process at the earliest opportunity. This includes a new interpretation of viability where both financial and societal value are considered in the determination of what is deemed a viable project.
- Develop a standard approach to forecasting potential and measuring actual societal value created by development. Consider how to introduce accountability and reward for investors for under and over performance in terms of the creation of societal value.
- Consider expanding the UK Guarantees Scheme and the Home Building Fund to include support for developers and social impact investors who are funding high societal value projects.

What can be done by developers and local authorities?

- Those involved in establishing development could ensure that they fully understand the need to maximise societal value in every project.
- All parties in the development process should carefully and meticulously align the community's views with the aspirations and ambitions of other stakeholders.
- Work should be done in association with central government to explore ways of improving, standardising and mandating pre-application consultation regarding the integration of societal value. There are examples of this in design panel review processes and opportunity areas which could be encouraged to areas beyond London.
- Widely adopt the concept, language and ambition of good growth set out in the Draft London Plan across other areas in the UK.
- All parties to agree on the preparation of an inclusive design statement evidencing how proposals meet the needs of people with protected characteristics (including age, race, gender, disability, race, religion, pregnancy, etc.). The definition of protected characteristics should be extended to include people experiencing social and economic deprivation.



1

Aim and context of the report

1.1. The aim of this report

The aim of this report is to make the case that the greatest financial return on investment is achieved by creating buildings and places in which people and communities thrive. For this to occur, we believe that real estate projects have to be both financially beneficial to the investor and generate sufficient long-term societal benefit for those who live, work and experience the development. If both these factors are to be established, then societal value needs to be understood, measured and reported in a way that is transparent and understandable to all of those affected.

This report seeks to explore the questions raised in the 'Highly Valued Hard to Value: Towards an Integrated Measurement of Real Estate Development' study published by Trowers & Hamblins in March 2016 with Oxford Brookes University and ING Media. The report investigated the aspects of development that people valued, and asked whether it was possible to create an integrated methodology for measuring both financial and societal value.

Following the 2016 report Trowers & Hamblins convened a Working Group consisting of industry leaders chaired by Sara Bailey, Head of Real Estate at Trowers & Hamblins:

Sara Bailey, Head of Real Estate, Trowers & Hamblins – Chair

Head of Real Estate for Trowers & Hamblins with over 20 years' experience helping developers, housing providers, local and central government to deliver large and complex partnerships, joint ventures, regeneration, PPP and development schemes. Sara is passionate about creating better places for people to live and work and believes that a good legal advisor is one that provides real solutions to allow the client to focus on the delivery of its project in the most efficient, economical way.

Gareth Blacker, General Manager – Infrastructure and Complex Projects, Homes England

Gareth is a chartered surveyor with over 25 years' experience specialising in development and development finance. He is responsible for delivering Homes England's commercial investment programmes, including the Home Building Fund and Estate Regeneration Programme.

Adam Challis, Head of Residential Research, JLL

Adam leads the JLL Residential Research & Consultancy team across Europe, appearing regularly in the media as a housing market commentator. He advises investors, developers and government departments on the range of urban housing supply challenges and is a supporter of www.shelterbox.org and www.crisis.org.uk.

Tom Elliott, Associate Director, ING Media

Tom has over 10 years' experience in public relations and marketing for the built environment. His experience includes communications strategy and implementation through to event management, media relations, brand consultancy and business development. Before joining ING he was marketing manager at Foster + Partners.

Richard Fagg, Project Director, Lendlease

Richard leads Lendlease's transformational regeneration scheme, High Road West, in Tottenham in conjunction with the London Borough of Haringey. Social value and creating a socio-economic and environmental legacy for the local community is at the forefront of our ambition and commitments.

Peter George, Assistant Director – Regeneration & Planning, Enfield Council

Peter leads Enfield Council's ambitious growth agenda – with responsibilities including regeneration, the planning department and economic development. The Council's flagship regeneration project is Meridian Water, a £6 billion project which aims to deliver 10,000 new homes, rail infrastructure and the full range of neighbourhood facilities. Peter also manages Enfield's pioneering estate renewal programme of 6,000 new homes including six projects which are on site. In addition to his work at Enfield, Peter is a board member of two housing associations.

Ciaran Gunne-Jones, Senior Director and Head of Economics, Lichfields

A leading expert on spatial economics, policy and strategy, Ciaran works with developers and investors, public sector agencies and local authorities across the UK. He leads on economic evidence for Local Plans, business cases and funding proposals, and formulating place-based investment

and delivery strategies. Ciaran also has a wealth of experience in assessing the economic and social value of major development, regeneration and infrastructure projects, and corporate property portfolios. He leads the Lichfields economics team having joined in 2004.

[Debbie Jackson, Assistant Director of Regeneration, Mayor of London](#)

Debbie Jackson is the Assistant Director of Regeneration at the Greater London Authority. She has responsibility for delivering high quality and targeted regeneration programmes with a range of partners to maximise cultural, economic, social and environmental benefits, leverage and impact. These in turn act as catalysts for London's continued growth and as exemplars for regeneration practice across the capital.

Debbie's responsibilities include the delivery of a number of high-profile Mayoral programmes including the Good Growth Fund, Crowdfund London, Skills for Londoners Capital Fund and Good Growth by Design. Debbie has twenty years' experience in London's public sector across environment and regeneration roles, having worked for Westminster and Lambeth Councils and the London Development Agency before joining the GLA in 2011.

[Adrian Leavey, Partner and Head of Commercial Property, Trowers & Hamlins](#)

Real Estate Partner and Head of Commercial Property at Trowers & Hamlins with over 26 years' experience advising institutional and property PLC clients on large scale residential and commercial investment, acquisition, management and disposal with extensive mixed use development expertise. Adrian leads project specific development teams, in particular bringing together the firm's diverse residential expertise to unlock and deliver development.

[Jonathan Smith, Director \(Residential Advisory\), JLL](#)

Jonathan has a senior role in the Residential Development Valuation team at JLL. He works alongside and advises; financial institutions, developers, private equity funds, and property companies to facilitate residential development and investment transactions. His key focus is the valuation of large, residential led mixed use development sites in central and Greater London markets as well as the southeast of England and Home Counties.

[Andrew Turner, Project Director, Argent](#)

Since joining Argent in 2014, Andrew has worked primarily on the regeneration of Brent Cross in north London, a joint venture with LB Barnet. Having lead the bid team and business plan development for the last three years, he is currently directing placemaking, public realm and ground floor uses. Before coming to London, he worked at BRIDGE Housing, California's largest affordable housing developer. Andrew holds a Master's

in Local Economic Development from LSE and a Bachelor's in Urban Studies from University of Pennsylvania.

[Andy Von Bradsky, Chair, Housing Forum & Advisor, Ministry of Housing Communities and Local Government](#)

Andy has over 30 years' experience in housing and regeneration for the private and public sector, having extensive experience in a high profile architectural practice. He is currently employed by the Ministry of Housing Communities and Local Government working across divisions advising on quality of homes and places, on housing led regeneration projects and Grenfell Tower.

Andy has a passion for place making, design excellence, sustainability and community engagement, evident from his previous work in regeneration, new settlements and residential design. He has been associated with many awards for his previous practice, PRP, when he was Chairman.

He is a Chairman of the Housing Forum, a cross housing industry membership organisation, and contributed to the government's Housing Standards Review. He participates in design review and provides expertise as a registered Design Council CABE Built Environment Expert, a member of the Design Review panel for Design southeast and a member of the NHBC Foundation Expert Panel.

[Nicholas Barrows, Director of Marketing, Trowers & Hamlins](#)

Nicholas is a chartered marketer leading the firm's business development strategy with a key focus on client development and thought leadership programmes. With a background in architecture, he has worked in the real estate sector for over 15 years.

[Katherine Evans, Solicitor, Trowers & Hamlins](#)

Katherine is a commercial property solicitor at Trowers & Hamlins with experience in dealing with sales, acquisitions and management work for a range of public and private sector clients including institutional investors, local authorities and charities. Katherine also has experience of planning matters including acting for developers, landowners and registered providers on planning appeals and section 106 agreements for large mixed use developments.

The Group has, to date, focused its attention on larger scale projects that involved (at least in part) a commitment to regeneration and involved a partnership between the public and the private sector. In the process of fact-finding for this report, the Working Group invited sustainable value experts RealWorth to give evidence based on their experience in the field. This led to an invitation to work more closely to help the Group to progress its work. Information used in this report includes a review of recent literature, interviews with selected experts and practitioners in the built environment, and the experiences of RealWorth in practice.

From late 2016, the Working Group has sought to look in more detail at the reasons why a more comprehensive valuation of property and development incorporating both financial and societal value had not, as a rule, been adopted as common practice by the sector. It also sought to establish what changes may be needed in order to accelerate the adoption of progressive valuation practices in terms of regulation, education, organisational culture, funding and investment practices, and the adoption of new tools and approaches.

This report sets out specific and targeted solutions for those who seek to predict and evaluate the effect that development has on people's lives so that it can be accurately valued beyond the criteria commonly used to date. The goal of this research project has always been to help remove the barriers to creating better built environments for the future by helping government and the industry to take a fresh look at valuation methods, review planning policy and to work towards better performance metrics to change how we view a development's true value.

Terms such as societal value and sustainable return on investment have specific meaning in this report. Readers are encouraged to consult section 7 which contains an explanation of the difference between financial and societal value, and defines many of the technical words and terms used in the report.

1.2. How the Working Group arrived at this point, a brief summary of Phase 1

The original research paper 'Highly Valued Hard to Value: Towards an Integrated Measurement of Real Estate Development' discussed a number of ways that a comprehensive valuation of development and regeneration schemes could be achieved. These included:

- A greater understanding of the flexibility of existing guidance – The real estate sector should be better informed to have a clearer understanding of existing advice which allows the valuation of aspects such as social and environmental value using non-market methods.
- An increased take-up and continual improvement of existing sustainable valuation methods and metrics – Approaches that quantify aspects of development that enhance people's lives should be supported and

developed across the property and development sector. Valuation methods that become mainstream have the potential to bring previously hidden attributes of development to the attention of developers and regulators.

- A review of existing policy and legislation of sustainable valuation – Policy changes including aspects of planning law are needed to support local authorities in getting the greatest value for developments and the sale of land, with an explicit aim of ensuring good design and place making.

The report identified four avenues of action to achieve a better, holistic understanding of valuation in the built environment. These included:

- Inform industry about the tools to provide a broader understanding of urban quality and development
- Enhance current valuation methods
- Provide policy back-up and influence, and a refinement to planning policy in particular
- Introduce performance metric that correspond to what is valued by stakeholders

This report seeks to build on these conclusions and to provide more evidence and detail on how they can be implemented.

1.3. The rise of inclusive or 'good' growth

Opposition to austerity policies are often rooted in a reaction to the injustice of the impact it has on the low paid and the vulnerable. Since the Highly Valued, Hard to Value report was published in 2016, there have been a number of attempts to define an alternative economic strategy. Two of these; the RSA's Inclusive Growth Commission, and the 'good growth' proposals set out in the Draft London Plan can be used to illustrate how this alternative might operate in practice.

The need for a new economic vision was summarised by the Inclusive Growth Commission (RSA, 2017) when it stated that "Reducing inequality and deprivation can itself drive growth. Investment in social infrastructure – including public health, early years support, skills and employment services – should go hand in hand with investment in physical infrastructure, and in business development. This will have a first order impact on productivity and living standards."

The Mayor of London's office has published a number of documents that describe the intention to establish 'good growth'. In summary 'good growth' means:

- Building a more inclusive city (which is defined as an inviting place to live, work and visit)
- Supporting health and wellbeing for all Londoners
- A balanced mix (including between the young and the old, between people from different cultures and backgrounds, of housing tenures and different types of workplaces)
- Support and enrichment of the city's public and civic spaces including the streets and routes that connect them

- A contextual approach that allows for vitality and change whilst sustaining and strengthening the character of London's existing neighbourhoods
- Partnerships between the public and private sector
- Resilient to a changing climate
- Green and healthy, with clean air, easy access to green space and more efficient buildings supplied by cleaner energy
- A place that enables everyone to fulfil their potential, by providing inclusive access to transport and other public services, by ensuring that communities see the benefits of growth, and by enabling broader public participation in how the city changes

The London vision (GLA, 2016) includes an emphasis on a long-term approach to investment that is designed to yield the wider benefits of change. These policies suggest a potential new emphasis on the way society could and should value economic growth differently.

While not explicitly defining the need to maximise societal value in the built environment, inclusive economic policy provides an important context to the argument that it is too expensive to invest in development that benefits the widest number of people who are affected by its establishment.

“There is potential for some greater flexibility in public sector procurement to give value to place-making. This might assist all parties to move beyond a purely financially-driven approach and allow developers more freedom to shape how desired outcomes can be achieved.”

Ciaran Gunne-Jones, Lichfields

2

An examination of the custom and practice of how property is currently valued

Summary of key points in this section

- Societal value is challenging to measure and report because it accrues after the development is realised and mainly to occupying stakeholders. Pressures on capital costs mean that value accruing to end-users is rarely considered at the design stage.
- Market-based valuation techniques such as cost benefit analysis do not accurately reflect the societal value accruing to people associated with development.
- While not discounted in the guidance given to valuers in official documents, the calculation of societal value is given less emphasis and support compared to market-based methods. This may dissuade valuers from incorporating societal value in their reports.
- Checklists, codes and frameworks designed to help designers to incorporate pro-social and environmental elements into their schemes are helpful. However, they do not replace societal valuation as they cannot quantify these features or allow an understanding of the relative merits of the impacts on stakeholders.

2.1. What people value about their built environment and how to create it

The 2016 Highly Valued Hard to Value report set out a number of characteristics that development might incorporate that would be valued by those who experienced it. These included:

- Character
- Continuity and enclosure
- Quality of public realm
- Ease of movement
- Legibility
- Adaptability
- Diversity
- Environmental sustainability
- Healthiness
- Participation
- Economic prosperity
- Revenue generation

In this report, the importance of equity and the description of how people experience changes to their lives caused by new development was a key concern. This was considered as an important cross-cutting factor for the study. The recent calls for inclusive growth or good growth reinforce this concern.

This report seeks to explore how an understanding of positive change can be translated into actual value. Previously this has been described (by those marketing developments) primarily in narrative. People's stories were collected and used as evidence that development had benefited those in and around it. This can be effective, but can also be ad-hoc, promotional and unreliable in the eyes of some local people. Now, the growing discipline of the monetisation of social and environmental change, based on stakeholder accounts, has offered a quantitative alternative to this approach.

The attribution of value through new and emerging methods could allow the societal value of development to be measured, compared and communicated to give a greater understanding and involvement of those who are directly affected by development. The influences on people's lives can be divided among a number of factors including the opportunity to:

- Live with a reduction or the absence of crime
- Improve levels of health
- Gain education skills
- Get a job, or to progress to a better job
- Meet individual human needs
- Experience more and better open and green spaces and cultural enrichment

All of these influences should have the potential to help people reach their full potential.

2.2. Why has it been hard to value the elements of property and places that people enjoy?

The 2016 Highly Valued, Hard to Value Report reviewed methods that can be used to understand property value beyond financial return. It concluded that 'the problem is that many of the more complex features of good-quality urban

environments, such as strong local community, the character of an area, participation and engagement, and ease of movement and connectivity of place, are not ones that the literature seems to have looked at. This is mainly in our view because the value of such features is not currently part of mainstream market valuations. It is therefore quite difficult to draw inferences about whether there is any premium from their presence, or a detrimental effect on property prices from their absence. However, a number of recently released reports and papers have attempted to address this issue.

One of these, the RICS (2016) 'Placemaking and Value' seeks to explain why societal value is often ignored in favour of financial value, which is the primary focus of its own report. The report is sympathetic to the problem when it states that "this is not to underplay intrinsic social, environmental or cultural values, but merely to recognise that financial value is a key determinant in the behaviour of developers in delivering schemes, and consumers in purchasing what is one of the largest investments of their lives."

The paper acknowledges that the creation of good places to live can "contribute significantly to improving community well-being", and that "good placemaking is about optimising these benefits as well as those explicitly reflected in the transactional value." Nevertheless, the RICS paper asserts that the societal value of placemaking rarely adds to the financial value (particularly from the perspective of volume housebuilding) for the following reasons:

- The landowner or the end user, and not the developer, almost always are the beneficiaries of sustainable urbanism
- The benefits of good placemaking accrue over a longer time period than the typically shorter business accounting cycles of the developer
- A successful first phase of development will lead to a higher land price for the second phase, but a speculative developer is unlikely to see the benefits of this due to slow land release and lengthy build periods
- Efforts to maintain quality in the post-occupation period complicates the attribution of value
- Innovation and creativity (in the integration of renewable energy technology for example) is rarely rewarded by higher prices in the market
- Economies of scale and standardisation by the industry in an attempt to keep costs down and increase affordability is seen to be at odds with the delivery of higher quality solutions

A report published by Future of London (2017) called 'Making the Case for Place' points out that the people who are affected by development are making their own judgements about its value without reference to the recommended market-based methods. The report says that "Most valuation by individuals and communities is informal; those affected by development come to their own implicit judgements without necessarily articulating or recording them. Some communities consider

the intangible benefits, like well-being and social connectivity, as most important, but are not always given a platform to express their views when practitioners are making decisions.”

Future of London also highlight the mismatch of opportunity to value development. The report describes the moment most users make up their mind about whether the development adds value is often at the point of completion. And they will go on judging the value of the scheme for as long as it influences their lives. The formal valuation process at this stage is usually a one-off process soon after completion and therefore fails to have the capability to report on longer term impacts.

A further problem is associated with the development process. In its report ‘Social Value and Design of the Built Environment’, the Supply Chain School state that “Immediate budgetary pressures sometimes result in design decisions being made that are not in the best interests of end users, have a negative impact on social value during operation, and reduce the value and life-span of assets.” No designer sets out to achieve these outcomes, and yet, as the report points out, the result is “A diminution in the productivity of the asset, a reduction in the ability to promote health and wellbeing, a reduction in the accessibility of the place for all potential users, a lack of integration into the surrounding areas, and a built-in obsolescence due to a lack of adaptability to the changing needs of society (Supply Chain School, 2017).”

The RICS (2016) report ‘Placemaking and Value’ concludes that it is always possible to identify some features that attract higher market prices than others. It gives the example of buyers with young children that are willing to pay higher prices even if that means sacrificing other desirable features such as room size or overall floor-space. According to the research in the report, some of these attractive influences included community provision (in particular good schools), extensive public parks and play spaces, and social infrastructure / community space that allowed – or encouraged – local community engagement. The report also cited flexibility in the range of housing types, and a reasonable amount of amenities at the completion of each phase. On this latter point the report stated that “A lack of space for local residents to congregate also makes it difficult to foster any sense of community, leaving some areas feeling like ghost towns at certain times of the day”. Alternatives to private car travel, community and commercial amenities, and high quality open space would alleviate these concerns the report concludes.

While it is undoubtedly possible to show how societal value is attractive to some buyers, conventional valuation based on the comparative method or forms of revealed preference do not describe the effect that pro-social and pro-environmental features have on people as they experience the development on a day-to-day basis.

The Highly Valued Hard to Value report offered evidence that commonly used market-based methods such as cost benefit analysis (CBA) do not accurately identify societal value. This is explained in a seminal paper (Bronsteen et al., 2013) which compares the relative merits of CBA and wellbeing analysis, a

valuation approach based on the accounts of stakeholders. The authors say that CBA is based on how much money a person is willing to pay for something they think might improve their lives. The authors are blunt about the validity of basing valuation on the belief that people will accurately price their desires:

“That is not true. When someone buys a thing in the hope of improving her welfare, she has made a prediction—a guess—about how the thing will affect her. That prediction may well be wrong, and indeed it usually is. By contrast, people are good at reporting how they feel right now. In-the-moment self-reports pass the same tests of reliability and validity that are failed by affective predictions. This should not be surprising; guessing how you will feel in the future is of course more error-prone than saying how you feel now.”

This evidence suggests that an alternative method of measuring societal value should be sought by valuers working in the built environment.

2.3. How existing advice deals with non-market and societal valuation

2.3.1. Red Book guidance on societal value

The Red Book is issued by the Royal Institution of Chartered Surveyors (RICS) as part of its commitment to “promote and support high standards in valuation delivery worldwide.” First published in 1976, it details mandatory practices for RICS members undertaking valuation services. It also offers a useful reference resource for valuation users and other stakeholders. The Red Book is not a ‘textbook’ on how to value real estate and neither does it provide a framework for the format of reports. Its purpose is to set out a process and criteria for the valuer to follow when instructed to undertake a valuation. Several sections of the Red Book are mandatory for every valuation that is prepared, but there are also guidance notes which the valuer is encouraged to follow. In fact, the Red Book does define the matters that need to be included in the valuation report in order to preserve the consistent valuation approach required. The 2017 edition of the Red Book goes further by providing a consistent approach platform designed to be implemented across the globe.

In Part 4 of the Red Book (valuation technical and performance standards), Section VPS5 states that it is mandatory for the valuer to fully describe their thought processes, the method of valuation that they use, and any other information that has influenced their report. However, Section VPS5 also allows the valuer to introduce other factors that are not common to traditional valuations such as societal value. Despite the ability for the valuer to provide other information under VPS5, they are not permitted to make unconsidered assumptions and therefore, due to the tight valuation regulations, this may prevent the valuer from making unsubstantiated or under-evidenced assertions about a particular issue.

Red Book guidance makes it clear that valuation is heavily reliant upon comparable information and the strength of

evidence. Valuers will be concerned about making any form of judgement on other matters that appear to be outside the definitions and mandatory requirements of the Red Book. Subjective evidence about how people feel about their lives, or assumptions about the potential health impacts of an intervention for which there is no precedent are two examples of where valuers following the Red Book may feel that they cannot fulfil the requirements of comparable and strong evidence. The RICS produced an Information Paper entitled 'Comparable Evidence in Property Valuation' which provides valuers with guidance about the analysis of comparable data.

However, the valuation of social and environmental benefits has not been ignored by the RICS and a small number of guidance documents acknowledge the emerging field of societal value. RICS Valuation Information Paper 13 and its successor Guidance Note entitled 'Sustainability and Commercial Property Valuation' (RICS, 2013) makes a compelling case by stating that the surveyor must consider sustainability in the valuation. It notes that "Sustainability encompasses a wide range of physical, social, environmental and economic factors that can impact on value". The Note does not offer guidance on how to prepare the valuation of sustainable outcomes, but it does acknowledge the shift in market dynamics recognised in both professional and academic analysis over the last decade.

Professor Erik Bichard (2015) was commissioned by the Royal Institution of Chartered Surveyors Research Trust to produce a methodology and illustrative case studies to show how societal value might be analysed in different parts of the world. His 'Developing an Approach to Sustainable Return on Investment in the UK, Brazil and the USA' concluded that the approach could sit alongside conventional Red Book methods as a compatible but parallel valuation process.

Finally, reference is made to social value in RICS guidance documents such as 'Local Authority Asset Management No.7 Disposal of Land at Less Than Best Consideration' (RICS, 2011) and 'Public Sector Property Asset Management Guidelines' (RICS, 2012). These documents acknowledge that "Valuation of community benefit is an important yet complex issue" and that in some situations non-monetary methodologies will need to be adopted that sit alongside the financial valuation. In these cases, the valuer is advised to "make it clear where monetary values can be, and have been, put to the benefits, and where this has not been possible. In the latter case, the evaluation method used should be clearly stated and the results given."

Information and opinion gathered as part of this study suggests that the Red Book is unlikely to be amended to incorporate guidance on how to value social and environmental benefits for some time to come. However, many consider that measuring and reporting societal value in the built environment is an important development and could be carried out as a separate, parallel exercise at the same time as more conventional financial valuation methods are carried out. Some even suggest that the new discipline could be the subject of a new book that would sit alongside the Green, Magenta and Red Book in a library of evaluation and predictive approaches.

2.3.2. Green Book guidance and societal value

The UK government offers guidance on the impact assessment, appraisal and evaluation of projects in HM Treasury's Green Book. First published in the 1960s, the guidance can be applied to any built environment or infrastructure initiative. The Green Book sets out the framework for the appraisal of built environment projects in the main body of the guidance, and contains more detailed advice in Annex 3. The general sections of the Book strongly advocate the adoption of economic valuation methodology based on detailed financial appraisals or cost benefit analysis which is expected to underpin most appraisals and decision-making processes.

However, the advice does suggest that it may be applicable to use alternative, non-market valuation methodologies where externalities exist outside the market price mechanism and thus cannot be allocated a direct monetary value according to cost benefit appraisal. In such situations the Green Book promotes the use of methodologies including inter alia well-being valuation, weighting and scoring models based on multi-attribute methods such as Analytic Network Processes. In more complex procurement projects such as the disposal of land and landed property, it suggests the use of key performance indicators. Annex 2 of the Green Book provides a number of examples of where non-market valuation might be adopted. These include design quality indicators and appraisals of environmental impacts associated with any proposed development.

It is fair to say that, while explicit in its description of the possibilities, Annex 3 of the Book provides a far more restrained perspective on the ability of public bodies to promote non-market dimensions of valuation compared to its guidance on market-based methods. However, there may be some encouragement in Clause 7 – Annex 3 to those that are minded to attempt the calculation of societal value. This states that "The valuation of a site should be based on the most valuable possible use, rather than the highest value that could be obtained for its current use. The valuation should include an assessment of the social costs and benefits of alternative uses of a site, not just the market value."

An additional barrier arises around Green Book advice on who is qualified to carry out built environment valuations. This states that corporate members of the RICS who are additionally qualified, as 'registered valuers' must undertake all valuations of land and property. Although not government guidance per se, this requirement necessitates compliance with the mandatory international valuation standards as communicated through the RICS Red Book. If valuers are interpreting Red Book guidance in a way that assumes non-market methods do not conform to the standards, then the tacit encouragement in the Green Book to calculate societal value may go unheeded. In conclusion, there is nothing in the Green Book that dissuades valuers from attempting to calculate the societal value of projects, but those that are not schooled in the methods used to monetise social and environmental change will need to look elsewhere for instruction on how to achieve this.

2.4. Establishing societal value through tools

Tools such as checklists, codes and frameworks are extremely helpful, particularly at the design stage of a project because they tend to summarise current understanding and encapsulate this in a summarised form. The advice is primarily given in descriptive, qualitative terms so that the users understand the nature of each of the elements covered in the document. Ultimately it is up to developers and their design teams to navigate the range of options and decide on the elements that comprise a scheme. While checklists, codes and frameworks can help to avoid important omissions, the responsibility for the way development is established often comes down to the individuals involved in the scheme and the length of time that they are committed to the project (RICS, 2016).

Standards are useful in that they provide a list of options, but they do not offer help with trade-off decisions or provide overall added value quantifications in relation to the people that are affected by the scheme. This can leave investors without an idea of the benefits to either the occupants or the wider economy.

Design standards tend to be focused on a specific area, and can help decision makers to understand the potential impacts of development. They may offer mitigating measures to minimise harm and maximise benefits and can cover a wide range of environmental, social and economic aspects of development. Standards can be applied from the concept stage, through the master planning process, and on to procurement and implementation, detailed design, construction and occupation. Examples of the range of standards available include:

- General design standards such as Building for Life 12. BfL12 is a housing sector standard intended to improve design quality. The criteria include attention to connections, facilities and services, public transport, meeting local housing requirements, character, working with the site and its context, creating well defined streets and spaces, easy to find our way arounds, streets for all, car parking, public and private spaces, external storage and amenity space.
- Specialist design standards (crime) such as Secured by Design (SBD). SBD is a subject-specific design guide that lists features that reduce the probability of criminal activity targeted at a development. The standard covers access and movement, structure, surveillance, ownership, physical protection, activity, and management and maintenance.
- Specialist design standards (age) such as lifetime homes design criteria. The standard helps designers to adapt housing to the ageing of occupants and circumstances that lead to reduced mobility for occupants. It is based on 16 design features that make a dwelling adaptable.
- Specialist design standards (environment) such as BREEAM and LEED. Leadership in Energy and Environmental Design (LEED) is a tool created by the US Green Building Council (USGBC) to measure the

sustainability of buildings. BREEAM is another example of a standard for buildings which has been adopted by some in industry and can be used to assess all building types and neighbourhoods. The BREEAM categories for assessment include waste, water, energy, health and wellbeing, materials, management, land use and ecology, pollution, and transport. Both LEED and BREEAM have extended their standards to include community consultation measures.

- Specialist design standards (wellbeing) such as WELL Standard. The WELL Building Standard™ (WELL) originated in the US and provides a model for design and construction to integrate human health features into new and existing buildings. There are seven different areas that are measured (air, water, nourishment, light, fitness, comfort and mind) to achieve WELL accreditation.

2.5. Evidence of barriers to societal value

During the course of this study, several members of the Working Group were asked for their views on the reasons why societal value was not more widely used to value development projects. Many referred to their own experiences in the field to illustrate why current practice often failed to capture all of the value generated by a scheme.

Most of those who were interviewed thought that all of the stakeholders involved in the development process understood the general principle of societal value, although many would not recognise the term. However, there was also consensus that there was very little understanding among this group that social and environmental change could be associated with a monetary value. Without this realisation, it was not surprising to the Group that the methods available to monetise societal value were also unknown to these stakeholders.

There was also support for local authorities that were trying to create more social value by working with developers to change their designs and incorporate more and better features that would benefit local people. It was acknowledged that this was very difficult for local authorities to achieve for a number of reasons. Some identified cuts to local authority budgets caused by austerity policies that reduced planning and procurement staffing numbers and limited the time available to work out creative alternative solutions to development proposals. Some pointed to the presence or absence of regeneration teams as the difference between establishing higher societal value, and simply coping with the volume of planning applications. Others thought that austerity had created a risk-averse culture in local government where officers and elected officials were concerned about spending public funds in the most cost-effective manner.

The rules that govern the establishment of development were identified as a constraining factor by some of the Group. The definition and negotiating restrictions around viability was singled out as barrier for local authorities because of its ability to limit the scope of discussion around early investment for societal value in the expectation of higher returns, later in the

life of the development. There was also an acknowledgement that local authorities and developers needed help to identify and quantify societal impacts. Without this the public sector has less of an argument to retain publicly owned land or identify competing interests for land use. It was stated by some that the public sector has more levers than it thinks to influence the integration of social value into developments, and better valuation techniques could help them to use these.

Short-term thinking was a common reason many gave for the limiting of pro-social and environmental additions to schemes on both sides of the regulator-investor equation. This included the need to realise investor dividends in the private sector, to the electoral cycle and the need to compensate for cuts from central government. However, some interviewees had experience of local authorities having a longer-term view of development and claimed that this had led to better alignment between developer and community interests.

Finally, some of those interviewed focused on the role of policy as both a barrier and a potential promoter of societal value. The conflicts between (for example) environmental housing targets were mentioned as a barrier to the aspiration of higher societal value. This could be averted with better strategic direction prior to thematic policy formation. The difficulty in regenerating smaller sites that contain assets and features that are valued by the community was identified as an example where the use of societal value methods could unlock problematic situations. The suggestion was that the re-valuing of these sites using societal value techniques would highlight the importance of community assets and could lead to faster and more relevant solutions to these sites.

3

Alternative approaches to societal valuation

Summary of key points in this section

- Measuring social and environmental change allows the added value of a scheme to be considered alongside conventionally assessed financial returns. This is a comparable method to employ as it is expressed in terms of monetary value and makes it easier for non-technical stakeholders to understand the implications of the options and trade-offs that might be considered in the design stage.
- Understanding societal value is important, not just to ensure equity across society, but also for the financial sustainability of the economies in which they are built.
- There is a growing desire in some parts of the real estate sector to better understand and report on the societal impact of development. There is also growing recognition of the need to provide appropriate legal incentives to encourage broader appreciation of the impacts of organisational and policy decisions on people.
- Tools are being developed to measure, monetise and report societal value in the built environment. Some reports on the societal value of development have already been released, but the discipline is young and is in development. Many in the real estate industry have yet to explore societal value approaches, and this would explain the modest adoption rate to date.
- Many practitioners recognise that elements of some development do generate societal value but accept that there are very few schemes that systematically collect the information required from stakeholders that could confirm this belief.
- Changes in working practices and culture, legislation, and investment mechanisms would accelerate the adoption of societal value into common practice in the built environment.
- While existing practice is sufficient to calculate societal value, there is a need to regularise the approach, possibly in the form of a parallel guidance document to be used in addition to existing market-based guidance.
- Specific changes to planning law (such as Section 106 agreements and the justification of the disposal of land and assets under best consideration) would allow societal value to become part of the definition of viability, thus ensuring that a wider number of people benefit from investment in property.
- An extension of the Public Services (Social Value) Act to include the development and planning process could lead to a requirement for applicants to submit a social value statement on how their development will add to the social and environmental value of the area.

3.1. The case for measuring and reporting on societal value

The contention of this report is that unless property and development is valued by a combination of both its financial return, and its return to society, it will be difficult to gauge or understand its real value. The consideration of combining financial and societal value as a single sum would provide a more accurate valuation of property and development, but it also offers an evidence-based approach with which to make decisions about the best combination of elements to include in a scheme, or whether to build at all.

The way financial value is currently calculated for property and development is well understood and documented. It has standardised conventions and professional bodies to guide and arbitrate on the way this is carried out on a global scale. However, while it is crucial to calculate and report financial value, the methods used to do this tend to undervalue the effect that development has on the people that are impacted by its establishment. Understanding societal value is important, not just to ensure equity across society, but also for the financial sustainability of the economies in which they are built. The recognition of the significance of these impacts, and their valuation are becoming better established in the sector (section 4 of this report contains more details on this approach), but at the time of writing could not be said to be embedded in common practice and it is important to explore the reasons for this.

Social Value International or SVI (Richards and Nicholls, 2017) explain that the historic undervaluation of social value by policy makers and business leaders has led to the inability to adequately incorporate social concerns into decision-making. They assert that financial accounting has undue influence on those in society who make decisions for two main reasons; financial value is associated with monetary values, and (possibly more important) there is a general acceptance of its validity.

SVI roots this acceptance in the use of GDP (Gross Domestic Product) as a sole indicator of economic prosperity. However, many economists (most recently Piketty, 2015 and Pickett and Wilkinson, 2010 for example) have identified economic inequality as a primary cause for the undermining of peace and prosperity, and yet it largely goes unreported in the built environment sector.

SVI refute the difficulty commonly associated with monetising societal value when it points out that assigning monetary value to social value is not a new practice. It is used by insurance providers, public policy makers and many others to decide on how to proceed with their business. However, in order to widen the use of the monetisation of social and environmental value there needs to be a change in the practice of predicting or measuring changes to people's lives. People experience positive or negative outcomes from both direct and indirect influences in their lives including their response to new development. The ability to measure these influences depends on the methods used to effectively collect the accounts of people in an inclusive and reliable manner.

SVI conclude that the measurement, quantification and reporting of societal value in the current social landscape is vital for the success of new ventures. This is because societal acceptance of what is socially just is rapidly changing. This, they state "Is causing increased pressure on all types of organisations, be it as a result of issues such as demographic change, migrant populations, or reducing public spending. The risks of ignoring these pressures means that doing nothing is an option that will likely result in individuals, organisations, and societies being left behind. At the same time, leading organisations are innovating to capitalise on social opportunities, and identifying solutions for social needs."

3.2. How would a change to the regulatory regime facilitate the incorporation of societal value?

3.2.1. Regulatory options for increasing societal value

The original Highly Valued Hard to Value report asserted that "Normally when the public sector undertakes investment in a project, the total benefits, including those to third parties and ones which are difficult to monetise, should be taken into account in determining whether the investment is cost-effective. The regulatory environment makes it difficult for local authorities to do this in regeneration projects." The report concludes this point when it says that "The current regulatory environment makes it difficult for local authorities to take a holistic approach to development and could result in sub-optimal schemes being selected where these offer higher financial benefits."

Social Value International (Richards and Nichols, 2017) state that at present there is no legislative requirement to explicitly value social outcomes. However, the authors are of the opinion that "There is growing recognition of the need to provide appropriate legal incentive to encourage broader appreciation of the impacts of organisational and policy decisions." SVI point to recent changes (in the UK) since 2013 for public limited companies to consider how organisational activities create social and environmental impacts. They also cite the growing use of The Public Services (Social Value) Act 2013 that requires that public bodies commissioning services beyond financial thresholds to consider the social value of contracts. In Wales, the Well-being of Future Generations (Wales) Act 2015, requires all public bodies to place the wellbeing of citizens at the centre of decision-making.

SVI also describe wider European Union interest in the societal value agenda with its requirement to disclose of non-financial concerns, and the Council of the European Union's recognition of the Natural Capital Protocol which encourages the valuation of green and blue space. Internationally, ISO is developing a standard for monetising environmental impacts, and the British Standards Institute is developing a similar standard for social value. SVI concludes that "Although legislation does not currently require the valuation of social outcomes, the changing landscape highlights the increasing pressure for consensus around extended notions of value. Given the development and

convergence of standards and rules for the measurement of value beyond financial concerns, it is reasonable to assume that formal requirements will continue to increase.”

3.2.2. Extension of the Social Value Act to incorporate investments in the built environment

The Public Services (Social Value) Act came into force at the start of 2013 and requires those responsible for public sector procurement of services to ask prospective tenderers to propose how they will provide social, economic and environmental benefits as part of the goods or services they are supplying. The accompanying guidance offered by the UK government says that “The Act is a tool to help commissioners get more value for money out of procurement. It also encourages commissioners to talk to their local provider market or community to design better services, often finding new and innovative solutions to difficult problems.” The wording of the Act is vague and does not provide a legal definition of ‘social value’ leaving bidders to define the term for themselves. This has encouraged many local authorities (Greater Manchester Combined Authority, Lancashire County Council, and Birmingham City Council for example) to produce their own social value policies as guidance for those tendering for contracts.

In February 2015 the government published a review of the Act chaired by Lord Young (Cabinet Office, 2015). The Review found that there was:

- Inconsistent awareness about the Act
- Confusion concerning the application of the Act about when and how to include it in the procurement process
- Uncertainty about how the Act fits with legal and procurement rules
- Uncertainty about how the Act should work during the pre-procurement period
- Undeveloped methods of social value measurement

A further review of the Act commissioned by Social Enterprise UK and written by Chris White (the MP who tabled the original Bill in Parliament) claimed that since the Act was adopted, social value had been integrated into £25 billion of public contracts (White, 2017). To put this in perspective, the public sector spends approximately £268 billion every year suggesting the Act has had a considerable impact but has a long way to go before it can be said to be permeating public sector procurement culture.

White’s review took particular aim at the built environment and had a number of insights that could accelerate the representation of societal value in development and property. The first issue that he suggests should be addressed is that the application of the Social Value Act should be widened. Currently it only applies to services and not to goods and works which precludes it from being applied to the planning process. White thinks this a lost opportunity. He says “Projects like HS2, Hinkley Point, Heathrow, and other road and rail projects are

set to account for billions of pounds worth of public spending in the next five to ten years. What an opportunity this is for social value to be used boldly and intelligently to get the maximum value - social, environmental and economic - from that infrastructure spend.”

White considers that some public bodies already apply measures that encourage suppliers of goods and works to deliver societal value under current procurement regulations. He believes that there may be “Leadership, and buy-in across departments, but there is no reason why social value can’t be easily extended and implemented to goods and works right now.”

White does think that the Social Value Act should be applied to the planning process and supports the idea that social value should be considered as a material consideration. A further step could be a requirement for a social value report to accompany planning applications.

3.2.3. Changes to the way section 106 agreements are negotiated

In an article examining the ‘viability loophole’ for The Planner, Turner (2018) explains that from 2012, pressure increased on local authorities to drop costly planning conditions that contain high societal value elements (such as affordable housing, children’s play areas etc.) if development does not generate a competitive profit, or a competitive land receipt for landowners. This protection of economic viability is contained in paragraphs 173-177 of the National Planning and Policy Framework. Conditions that build social value into communities might also include infrastructure contributions, additional greenspace, and policies on building heights and densities.

Turner says that local authorities are further hindered in attempting to incorporate pro-social and environmental features because it is often hard to challenge the calculation that developers submit about the viability of their schemes. This is thanks to a court ruling in 2002 which means that viability statements submitted to local authorities should be treated as confidential. Turner provides some evidence that some local authorities are fighting back against these constraints by pre-emptively showing the viability of planning conditions (such as the minimum percentage of affordable housing per scheme) prior to submission. He says that DCLG (now MHDCGLG) appear to be supporting testing viability at the plan-making stage to avoid case-by-case challenges.

The government sets out the terms and uses of a Section 106 agreement as the following:

Planning obligations under Section 106 of the Town and Country Planning Act 1990 (as amended), commonly known as S106 agreements, are a mechanism which make a development proposal acceptable in planning terms, that would not otherwise be acceptable. They are focused on site specific mitigation of the impact of development. S106 agreements are often referred to as ‘developer contributions’ along with highway contributions and the Community Infrastructure Levy.

Typical requests under these agreements include affordable housing, specification for particular types of and timing of the establishment of housing, the establishment of amenities such as green space or leisure facilities, and financial contributions to provide infrastructure or affordable housing. S106 obligations can require the applicant to:

- Restrict the development or use of the land in any specified way
- Require specified operations or activities to be carried out in, on, under or over the land
- Require the land to be used in any specified way; or
- Require a sum or sums to be paid to the planning authority on a specified date or dates or periodically.

The legal tests for the use of S106 agreement are set out in Regulation 122 and 123 of the Community Infrastructure Levy Regulations 2010 as amended. The tests are:

- Necessary to make the development acceptable in planning terms
- Directly related to the development; and
- Fairly and reasonably related in scale and kind to the development.

The current economic climate has increased developers' opportunities to reduce affordable provision through viability appraisals. The Joseph Rowntree Foundation (Brownhill et al., 2015) has done work to show that in weaker markets S.106 delivers fewer affordable homes. Since 2013, S.106 agreement have become renegotiable on the grounds of viability. The introduction of the non-negotiable Community Infrastructure Levy (CIL) in 2010 further strengthens an interest by developers to attempt to renegotiate S.106 obligations.

A revision of the Social Value Act could include an expansion of its scope 'services' to include services to buildings and infrastructure. The interpretation of services in this context would be 'services to the community'. The EU Procurement Framework already contains advice on how social value could be 'considered' or embraced. This statutory change to the Social Value Act could toughen these provisions so that developers are required to calculate the societal value of their schemes and submit in their S106 proposals for approval to the planning authority.

3.2.4. Revising best consideration advice

Best consideration places an obligation on public bodies to sell assets at unrestricted market value. However, there may be compelling reasons why a public landowner may wish to use land price as a bargaining chip with a developer. One reason might be that it wants more features that enhance the lives of those living and working in the community. One way of doing this is to reduce the price it is asking for the land in exchange for more investment for pro-social and pro-environment features from the developer.

Circular 06/03 says local authorities can accept up to £2 million less for land they own or obtained providing it achieves 'promotion or improvements to the economic, social or environmental wellbeing of the area.' This is helpful, but to win this augment requires supporting documentation and evidence. As we have already seen, conventional valuation does not identify all of the societal value that might be generated by the additional features. If a public body cannot provide the justification for their decision to accept less than unrestricted market value, then it risks being accused of failing in its fiduciary duty.

One solution to this could be reform of S.123 of the Local Government Act (1972) and S.233 of the Town and Country Planning Act (1990) which contains the requirement to sell land at market value. This could be replaced with discretionary powers to ask developers to demonstrate the additional societal value they will create in exchange for land value discounts. Similar to the Environmental Impact Assessment process, local authorities could then test the validity of the valuation before entering into final negotiations on the deal. Again, if this process were to be adopted there would need to be clear guidance on how to measure and report on societal value based on both financial and non-financial methods. An interesting by-product of this legislative change would be the re-wording of the definition of best consideration. This might subsequently read as 'the value of all benefits (economic, social and environmental) to the community.'

3.3. Could a change in the culture that governs land and property valuation contribute to the integration of societal value into development?

The original Highly Valued Hard to Value report explained the current business culture of many developers when it stated that "It makes good business sense to invest in designs and attributes that raise values during the build-out period but, once this is over, the developer will not benefit from any uplift in property values. There is pressure to maximise short-term gains." However, it is not the case that all developers have an ingrained culture of maximising short-term gain. The companies Argent and U+I have been very public about their commitment to build places that are good for people while still expecting to make a profit. To what extent the whole industry could adopt this ethos is a point that was put to interviewees in this report (see section 5.1).

For the public sector, there are signs that in the procurement sphere, culture may be changing. Lord Young, in his review of the implementation of the Social Value Act put it like this "Rather than thinking about services in isolation or in the short term, under increasing cost pressures many commissioners are starting to reformulate services, thinking about their long-term cost and sustainability, and how they can interlink by increasing or reducing pressures in other areas (Cabinet Office, 2015)."

3.4. How new economic funding vehicles or practices might overcome the tension between viability and societal value

One of the common responses to proposals to add pro-social and pro-environmental elements to development projects is that the increase in costs is often uncompetitive and is not justified in terms of the return on investment. Monetising the benefits of these features and integrating them into the wider local economy changes the nature of this conversation, but there is still very little evidence to show the amount of benefits this type of intervention might produce. However, an understanding of potential added societal value could be the precursor to a discussion about how to fund the 'gap' between conventional and sustainably enhanced development.

RealWorth attempted to inform this debate when it worked in partnership on a conceptual scheme with the Swedish architects White Arkitekter. The scheme was called the Salford House for Life and won a competition judged by the RIBA in 2011. The concept was based on the belief that it was possible to build a housing scheme which could enhance the health of its tenants.

The scheme comprised just over 126 units accommodating over 300 residents in a mixture of houses and apartments ranging between one and four bedrooms in size. The grounds would be designed for leisure and exercise, safety, restorative and meeting opportunities and there was also space for communal meeting and governance, and retail which would be sympathetic to the needs of residents living in an area of high deprivation.

Some of the elements that were integrated into the scheme included:

- Use of secondary building material and recycling during occupation to reduce waste, energy consumption and therefore carbon emissions
- Proximity of amenities and open space that encouraged walking, play and exercise
- The exclusion of cars from the majority of the site
- Provision of cycling storage encourages exercise
- Provision of communal urban gardens to grow flowers, fruit and vegetables
- Provision of meeting places in communal spaces to facilitate self-governance, training and continual education classes and to reduce isolation of those living on their own
- Tenant management methods such as separation of incompatible life-styles (e.g. night shifts versus young children)
- House types that are capable of adapting and responding to the differing housing needs of people at different stages of their lives to avoid the need to move. e.g. with flexible partitions in individual living units
- Outdoor gym equipment

- Mechanical and passive ventilation ensures less indoor pollution
- Crime reduction measures complying with the Secure by Design standard
- Water features and water conservation measures including the provision of permeable paths and hard standings
- Tree cover designed to reduce heat exhaustion and mitigate against flooding
- Easy access to public transport
- Energy efficiency measures that radically reduces the need to pay for space heating including: smart meters, district heating, heat pumps, solar electric panels etc
- Tenant liaison staff that offer formal and informal advice on energy conservation, wellbeing, lifestyle and other issue that may impact on health outcomes of residents
- Higher amounts of planting and vegetation on all horizontal and vertical surfaces
- Community meeting spaces within or nearby allow to take place in the scheme
- Retail space available for social enterprises to trade and employ members of community that have had limited employment prospects (such as ex-offenders, some elderly or disabled tenants etc.)
- Easy access to schools and colleges

The designers (White) estimated that the inclusion of these elements might add a 20% premium to the capital cost of building a scheme like the Salford House for Life as compared to the standard housing scheme without all of the pro-health features. Clearly, the 'gap' between a standard development and a development incorporating enhanced (societal) value will vary widely depending on a number of variables that dictate capital cost. However, regardless of the size of the gap, it begs the question; how could this gap be financed to accelerate the number of higher combined value projects that are being built today?

One possible solution is a variation on the Social Impact Bond. The government defines social impact bonds (SIBs) as tools that can "Enable organisations to deliver outcomes from contracts and make funding for services conditional on achieving results. Social investors (investors that have both financial and social expectations attached to the money they offer) pay for the project at the start, and then receive repayments based on the results achieved by the project."

There is already a thriving social investor market operating in the UK and across Europe. However, most are focussed on funding social intervention projects involving (for example) children in care, homelessness, youth unemployment or long-term health issues. The concept of using 'patient capital' is becoming a recognised way of securing long-term finance on large regeneration projects. The term patient capital has come to mean investment which not only accepts a long-term return on investment time horizon but is primarily interested in socially responsible ventures which offer both financial and non-financial gains.

The built environment has not been a target for social investors to date although there are some related projects associated with the alleviation of homelessness. One such study in Canada (Miguel and Abughannam, 2014) proposed SIBs as a potential funding mechanism to build more housing schemes for the homeless. The report suggests that an “SIB could raise upfront funds from social investors to work with a broad population of homeless individuals with mental health issues; public sector commissioners would pay an outcome tariff that is initially calculated based on the expected costs of delivering the service but declines or increases with delivery performance.”

A pre-requisite for the societal gap funding programme is the ability to calculate the value of the enhanced schemes on people’s lives. Government (Cabinet Office, 2012) advice for those performing economic valuations of social impact bonds

is that they should keep the commissioner’s perspective in mind and produce valuations that clearly separate and show the following:

- Cashable savings to the commissioner
- Non-cashable benefits to the commissioner
- Cashable savings to other public-sector bodies
- Non-cashable benefits to other public-sector bodies
- Social value

The need to understand these values and fulfil the evaluation requirement is further evidence of the need to adopt and implement the monetisation of social and environmental change caused by the establishment property and development.



3.5. Evidence of how societal value has been integrated into mainstream development projects

Many of those interviewed for this report identified schemes where, in their opinion, enhanced (societal) value had been incorporated into development sites or a regeneration programmes. Some of these projects are summarised in Figure 3.1.

3.5.1. Projects that incorporate societal value



City Islands

Project summary

A new neighbourhood providing 1700 homes, new public spaces and public art exhibits and a new home for both the London Film School and English National Ballet.

Which features enhance societal value?

The scheme brings together apartments, a network of walkways and open spaces, residents' membership facilities including a clubhouse, screening room, spa and pools. The development balances residential and active daytime uses and incorporates a complex mix of workspace uses that will bring a range of makers and artists to the island.

Societal benefits

Leisure and cultural activities, additional green open spaces, and opportunities for employment.



Western Harbour

Project summary

One of Malmö's largest residential developments, eventually comprising 20,000 residents and a similar number of workspaces. Originally a declining post-industrial area, the redevelopment has been transformed into an attractive and sustainable modern dockland development.

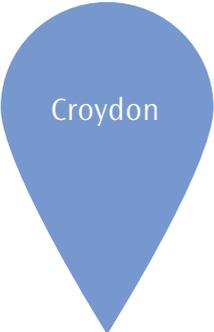
Which features enhance societal value?

The development features pioneering environmental solutions and innovative architecture focusing on high-tech environmental and sustainable feature. It contains Sweden's largest collection of energy-efficient buildings and has the country's most extensive system for collecting organic waste via kitchen waste disposal units.

The area was designed to be an attractive part of town and now attracts large numbers of visitors to the local coastline skateboard park and marina. The area is now home to Malmö University and assorted media, cleantech and construction companies.

Societal benefits

Extensive leisure and physical/mental health benefits; job creation; positive environmental impact (waste avoidance, reuse and recycling, carbon reduction, energy self-sufficiency etc.).



Croydon

Develop Croydon

Project summary

A private sector-led, £5.25 billion regeneration programme, guided by a Community Interest Company to bring investment to south London.

Which features enhance societal value?

Over 60 commercial, residential, mixed use, and public infrastructure projects are part of this larger coordinated investment to infuse economic assets within the existing urban fabric of Croydon. Among these are over 8,000 planned homes and 28 new public squares/spaces. Mixed use projects, including the Inspired Homes development which will feature diverse housing options (from micro-apartments to three-bedroom flats) among shop and restaurant spaces. Another project will see a car park turned into 42 homes.

An especially innovative aspect is the Develop Croydon Forum which is a Community Interest Company founded by and run by key stakeholders and committed to promote Croydon for investment for economic development and housing. The Forum has effectively integrated with the process of Croydon's Local Plan to ensure a number of previously underutilised properties are slated for redevelopment, activating and bringing more opportunities within the city centre. Additionally, The Forum has successfully advocated for enhanced public transit connections, resulting in a commitment to complete tram extensions in the region increasing access to and from services and amenities.

Additional efforts to ensure opportunities are equitable have led to plans for homes for homeless and job training programmes. Arts initiatives have also been fostered.

Societal benefits

Increased access to public transportation; access to jobs, amenities, and diverse housing stock; enhanced sense of place; open civil discourse on diversity leading to more equitable development of social and shared spaces.



Birmingham

Peddimore Industrial Development

Project summary

A 71-hectare industrial development site, estimated to infuse up to 10,000 jobs and over £350 million into the local economy.

Which features enhance societal value?

A keystone of this project is the development principles guiding future occupants to prioritise sustainable manufacturing approaches along with green infrastructure and formal connections to the many key skills-building resources in the region. Effective and efficient transport options are an asset. This project will capitalise upon planned transportation links including a new HS2 and a bus rapid transit service between Peddimore and the City Centre.

Societal benefits

Access to jobs; skills/knowledge enhancement; increased access to public transportation; environmental benefits, reduced carbon footprint.



Peckham Levels

Project summary

Empty levels of a multi-storey carpark transformed to community hub and affordable creative space.

Which features enhance societal value?

Peckham Levels capitalise upon the underused top two stories of the town centre carpark and has transformed it into a place for small businesses and the community to come together and flourish. For a six-year tenure, it will include an evolving creative mix of 50 shared and private studios, larger office facilities, workshops, music rehearsal studios, and restaurant/cafes. It will also boast fitness facilities, event/exhibition space, and a garden.

Societal benefits

Enhanced cultural and community spaces; sense of community; economic growth; positive impacts to physical and mental health.



Blue House Yard

Project summary

Temporary activation of an underused site in north London for community and creative business development.

Which features enhance societal value?

The Blue House Yard is a community hub for local entrepreneurs and creatives with studio, shop, and event space. All spaces have a fair rent policy (with rents at 50-80% of market value). Workshops and events are open to the community throughout the year. Although awaiting redevelopment by Haringey, it has been repurposed to provide “retail incubation opportunities, business growth, job creation and a new community and cultural space.”

Societal benefits

Job creation; skill development; enhanced cultural and community spaces; sense of community; economic growth.



Isle of Dogs London

Wood Wharf

Project summary

A high density, mixed use development comprised of 30 buildings on the eastern edge of the Isle of Dogs in London.

Which features enhance societal value?

This extensive multi-site development on former docklands will effectively integrate with current infrastructure while providing over 3,300 new homes 2.57 million sq. ft. of commercial office space, and 340,000 sq. ft. of retail and amenity space with an additional 8.9 acres of integrated green space and open space.

With over 30 buildings, multiple developers and agents are involved, and plans boast features that work to effectively incorporate each project into the larger urban fabric as a whole. Components of original buildings will be saved or integrated into designs and dockside paths will be a major feature. Additional amenities including health facilities, a library, and a new primary school.

The project is being developed as improvements to transit system will be rolled out, further enhancing access to job centres, Heathrow Airport, and the city centre. Pedestrian right of ways will be prioritised with few through roads. With a mix of uses, public spaces will be prioritised at various times during the day. It will also fill a gap in housing options for current and future workers on Canary Warf and surrounding areas by diversifying the housing stock (and 25% of new homes will be affordable).

Project plans have also employed strategic sustainable elements in design, for example, a district cooling system capitalising on the surrounding water to provide low/no-cost cooling in one project. It is also estimated that 17,000 jobs during construction, with 3,500 of those jobs being targeted for local trades people.

Societal benefits

Job creation; access to transportation; access to job centre; sense of community; decreased carbon footprint; opportunities for physical activity; diverse housing options.

Chilmington Green

Project summary

A comprehensive modern 'Garden City' development within commuting distance from greater London with plans for over 5,000 homes and diverse amenities

Which features enhance societal value?

The new town development will take on a number of key urban design features including connections to high street shops, extensive green space, a secondary and primary schools and all at a walkable scale. It will also include a central community space, children's play areas, GP services, and recreational facilities. Latest sustainability standards will be adopted for homes and facilities being built and a sustainable urban drainage system, as required by the Environment Agency, was employed.

Engagement with local community and best practices during the development phase are emphasised, for example, trees being removed for the widening of A28 will be reused followed by extensive replanting.

Societal benefits

Sense of community; enhanced physical and mental health; increased physical activity; high quality of public and community space.



Ashford Kent



Elephant Park

Project summary

A £2.3 billion regeneration project in the heart of Elephant & Castle in London's zone 1, including nearly 3,000 new homes across three project sites, 50 shops, restaurants and cafes and a new city park at the heart of the scheme.

Which features enhance societal value?

This transformative regeneration project in the burgeoning Elephant and Castle neighbourhood has employed innovative and comprehensive approaches to social, environmental, and economic sustainability throughout the development process.

Almost half the land area has been devoted to public spaces, including central London's largest new park in 70 years, while the development has also been able to fully fund a new Southwark Council leisure centre. The masterplan emphasises links to public transport via walking and biking as well as infrastructure that supports active transportation. It is one of the founding projects participating in the Climate Positive Development Program, meaning it includes enhanced energy efficient features, such as passivhaus homes and a net-zero carbon energy centre.

Lendlease's not-for-profit company, Be Onsite, is bringing jobs and skills to local residents, and the project has already employed over 900 local people since construction began in 2013. Additionally, more than 600 affordable homes will be created across the development.

Societal benefits

Increased access to recreation/leisure facilities; increase in mental and physical health; sense of community; economic growth, affordable housing, and access to jobs and skills development.



Blue House Yard

Project summary

A bustling local shopping hub and community event space repurposed from the Deptford station developed alongside new housing units.

Which features enhance societal value?

Opened in 2016, this regeneration project in southeast London reactivated London's oldest railway structure. The market area, which is in and around the preserved railway arches, brings together local start-ups and entrepreneurs in a creative space that also functions as community event space.

The market yard was part of a larger regeneration project that included improvements to local infrastructure, new at-market housing (121 units), and additional shared ownership homes in the updated St. Paul's Building.

Societal benefits

Sense of community; access to diverse housing stock; enhanced mental health; quality public and civic spaces; economic development; job growth.



London

New Street Square

Project summary

Four architecturally unique office buildings with an activated central public space on New Fetter Lane in central London.

Which features enhance societal value?

Extensive sustainable approaches to the building design with BREEAM 'Excellent' rating and a green wall on one of the buildings. Building design includes flexible interior spaces with a number of arrangements for heating/cooling infrastructure to adapt to tenants' needs.

The newly created square and walkways are activated with shops and restaurants to connect pedestrians with the existing urban fabric.

Societal benefits

Quality public space; decreased carbon footprint; access to amenities.



Wolverhampton

Bilston Urban Village

Project summary

New development integrating a new greenfield development with plans to revitalise the historic high street and a brownfield mixed use development.

Which features enhance societal value?

This comprehensive initiative will integrate a 27-acre project of new housing with a mixed-use development. The mixed-use development will include 1050 new high-density dwellings, employment spaces, leisure facilities, and community spaces and a 7.5-hectare neighbourhood park. It includes 450 homes to be built on former brownfield land, along with 14 hectares of open space with a bus link, cycle ways and pedestrian paths, well-connected to the town centre. Extensive open space and green space, leisure centre and academy, commercial development plots with direct pedestrian connections and additional restaurants and a primary school.

Additional investment in canals with extra funding from the European Regional Development Fund create extensive improvements to biodiversity and recreation facilities with focus on improving nature conservation value of the area (through meadow creation, tree planting, etc.).

Societal benefits

Access to quality public spaces; diverse housing market; physical and mental wellbeing; sense of community.



Old Oak, Park Royal

Project summary

This is the UK's largest regeneration project, with over 25,500 new homes and 65,000 new jobs built on a brownfield site in west London.

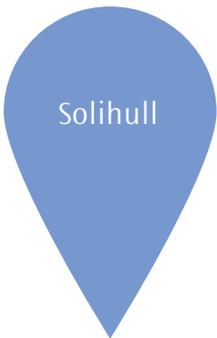
Which features enhance societal value?

With the principal aim to develop a thriving, healthy community, there are extensive elements to this large redevelopment that are beneficial to society and residents. These include development of quality public spaces with devoted connections for cyclists and pedestrians. Existing green space will be enhanced for recreational use and will support biodiversity of the region. This project will also capitalise on the planning for HS2 and other transportation links within and throughout the region.

A strategic plan outlines the approach for economic growth including an anticipated 65,000 new jobs and identifies goals for regeneration, community engagement, and positive health outcomes.

Societal benefits

Access to quality public spaces; economic development; civic engagement; access to public transportation; physical and mental health benefits.



UK Central Solihull – Urban Growth Company

Project summary

A hub of employment and leisure opportunities situated at the nexus of key transportation infrastructure in heart of the Midlands, the Urban Growth Company will coordinate the overlaying green and transit infrastructure.

Which features enhance societal value?

At the core of this project is the use of place-making principals to activate existing and generate new opportunities for connecting people and places, driving economic growth.

The infrastructure plans include a new regional gateway linking Birmingham Airport and the International Station, the future HS2 station, and surrounding developments (some existing, others proposed). Developments include an extensive residential site, a business park, and a major conference and leisure facility. Proposed elements include commitments to green and blue infrastructure, enhanced access for residents to transportation, and temporary land use activation of community spaces.

Societal benefits

Increased sense of community; increased physical activity and health benefits; enhanced access to recreational facilities; economic growth.

Two strong points emerged from those who were interviewed for this report concerning the opportunity to deliver societal value to development sites on a regular basis. The first was that the participants felt that it has been possible to describe the elements that undoubtedly create societal value for those living, working and visiting these developments. However, the lack of awareness about the methods and processes that are available to comprehensively collect evidence used to confirm this assertion has meant that it often goes unreported, and therefore unvalued. If the industry is to move from an intuitive belief to an empirical confirmation that societal value is created by development, it will need to collectively embrace the valuation of social and environmental change.

The other point that came out during the discussions with participants was that the timing of the consideration of societal value often came too late in the development process to be effective. Some interviewees thought that, by the time a S106 Agreement was being negotiated, the opportunity for most of the potential societal value that could have been designed into the project had gone. There was a range of views about how the discussion about societal value could be moved to an earlier point in the development process. This ranged from the imposition of new statutory obligations through to cultural change via the professional bodies. However, most considered that the concept and design stage was the best time for discussions between all parties, and would yield the best results.

“Understanding the existing make-up and assets of places is fundamental to successful, inclusive and good growth.”

Debbie Jackson, Mayor of London

4

What tools and decision-making aids would help all parties to accelerate a better understanding of societal value?

Summary of key points in this section

- There is a common misperception among those who are concerned about the practicality of producing societal value calculations that there are insufficient metrics available to do this work. In fact, numerical and monetary data that can be used for this purpose is widely and freely available.
- Sustainable valuations rely upon gathering information from people who are affected by the intervention. Where possible these people should be questioned to understand how their lives have changed or might change before a project has started.
- Existing consultation arrangements to establish societal value are inadequate because they do not make time or provision to understand the underlying factors that influence the lives of the local community. Without this, commissioners, developers and designers can have no reliable way of knowing how their scheme will affect the lives of those that experience their developments.
- The development and application of societal value tools help all those involved in the development process to understand the full reach of the value created by development. These could, at the very least, better inform negotiations about the merit of proposals and alternatives. These tools should be linked to existing processes rather than create new ways of working that would need to be retrofitted to existing practices.
- A common question that arises from the calculation of societal value is; where does the money that is generated in development that improves people's lives go? Some undoubtedly flows to developer in the form of higher rents, reduced management fees, void turn-around expenditure. However, much of the societal value that is produced as a result of improvements to people's lives is distributed elsewhere in the economic system. This is a valid concern as it affects the long-term viability of the scheme.
- This section of the report includes a number of tools and approaches to advance the thinking and practices of those open to improving the way that societal value is understood, maximised and measured in the real estate sector.

4.1. A description of how the monetisation of added (societal value) is now possible with the advent of new valuation methods

To date there is a small but increasing volume of literature about the methods that can be used to monetise social and environmental change in built environment projects. An early addition was Bichard's (2015) research paper for the RICS. This stated that valuation approaches such as social return on investment "Have the potential to translate social change, first into data, and then into monetary values." The report goes on to say that "For built environment practitioners, this work will allow the language of sociologists, ecologists and criminologists (for example) to be heard earlier in the design process and may even be able to lever funding for social and environment elements of projects that otherwise may suffer from cuts to budgets or timescales. All that is required is that the social and environmental value of developments is understood through the change in experience (such as people's utility or wellbeing) or land use and then converted into a monetary value using a combination of first-hand accounts and statistical trends."

Many practitioners of social return on investment follow the seven principles set out by Social Value International, the membership group and advocate organisation for social return on investment or SROI). These principles are:

- Involve stakeholders
- Understand what changes
- Value the things that matter
- Only include what is material
- Do not over claim
- Be transparent
- Verify the result

The principles preserve the goal of monetising change to human lives by ensuring they are involved in creating the data set in a way that everyone can understand, and then making sure that only the most important information is used to calculate the return on investment. Monetising social and environmental change allows the added value of a scheme to be considered alongside conventionally assessed financial returns. Not only is this a more comparable method to employ, but it also makes it easier for non-technical stakeholders to understand the implications of the options and trade-offs that might be considered in the design stage.

RealWorth uses an approach it has developed called Sustainable Return on Investment or SuROI to evaluate the social and environmental changes caused by projects, programmes and investments. Other practitioners (Social Value Portal, Social Profit Calculator, nef for example) offer alternative approaches. The aim of SuROI is to allow the environmental and social value of a project to be made explicit through evidence, and then monetised to show the value relative to the amount of investment. The approach classifies both environmental value and social value as an economic

benefit. For example, value arising from employment outcomes is classified as a social value and monetised to create an economic benefit in the same way that savings in CO2 are monetised to create an economic benefit (albeit using different indicators and proxies). SuROI gives an overall sustainable value in financial terms and a return on investment ratio which can be used by decision-makers in a variety of ways.

The SuROI approach assesses the degree to which change has occurred (whether positive or negative) both in terms of the significance of the change, and the numbers of people that experience the change. A sustainable value study relies upon the information from people who are affected by the intervention, and/or those who have an insight into the effect of the intervention. Where possible these people are questioned to understand how their lives have changed or might change (before a project has started).

Following a step-by-step approach, field data can be used to populate an impact map which contains the following information:

- Stakeholders (groups of people, organisations or entities that experience change, whether positive or negative, because of the activity/intervention that is being analysed). Typical stakeholder group might include residents, employees, visitors, beneficiaries of charities or other third sector organisations, and people living close to the intervention.
- Inputs (the cost of the project including capital investment, the monetised value of volunteers, and any other in-kind contributions).
- Outputs (the number of units of delivery where applicable).
- Outcomes (the stated or predicted changes to stakeholder's lives).
- Each of the outcomes are categorised against factors. These are topics that affect stakeholder's lives including crime, health, wellbeing, training and skills, employment and green and restorative space. The outcomes are then monetised by first identifying an appropriate indicator (the unit of measurement), and then applying a suitable monetary value (or proxy) to each indicator. The values are multiplied by the numbers affected (from the survey returns / field data) and the amount of time the influence of the project / intervention was likely to stay with them. The duration of the project is taken as the time in which it occurred – in this case one year.
- Indicators and proxies are typically taken from a wide range of sources including local and national government statistics, research bodies and think-tanks, and representative or accreditation organisations. Ecological value is derived from databases compiled through work on the Millennium Ecosystem Assessment. All the sources that RealWorth use are publicly available.

RealWorth also analyses changes to stakeholders in terms of three components. This includes:

- Value to society – saving to the tax-payer
- Value to the individual's economic prospects – increase in income or reduction in expenditure
- Value to the individual's levels of life satisfaction

The monetary implications of these changes are then combined to establish as the gross sustainable return on investment. The net value is derived after adjustments are made for other influences that might have contributed to the outcomes, and the effect of time in terms of lessening affects or depreciation. There are four main adjustments including:

- Deadweight – the amount of outcome that would have happened even if the project was not carried out
- Displacement – the amount of activity that has moved to another place because of the project
- Attribution – the amount of outcome that was caused by a contribution from other interventions beyond the scope of the project under analysis
- Drop-off – the deterioration of an outcome over time

The results are presented as an overall sustainable value at project level, and on a project-by-project basis. The results are also segmented against stakeholder group and factor. The breakdown of the results assists decision-makers to understand variances in return on investment, and (where appropriate) to focus on the way one stakeholder group or factor (societal issue e.g. crime, health etc.) might benefit from a project.

4.2. Key aspects of societal value

4.2.1. Understanding the lives of those affected by development

The ability to understand how people experience development is critical to the assessment of societal value. This is why 'involving stakeholders' is one of the seven guiding principles of the social return on investment approach. It is also an underinvested and often neglected part of the planning process. After an application is submitted, The Town and Country Planning (Development Management Procedure) (England) Order (2015) requires a period of consultation where views on the proposed development can be expressed. The formal consultation period will normally last for 21 days, and the local planning authority will identify and consult many diverse groups.

However, the process often comes under criticism for requiring consultees to react to completed designs rather than help to co-create them and being restrictive in the number people allowed to respond, the short response periods, and the time and place of public meetings when they are called.

In terms of the establishment of societal value, the existing consultation arrangements are inadequate because they

do not make time or provision to understand the underlying factors that influence the lives of the local community. Without this, developers and designers can have no way of knowing how their scheme will affect the lives of those that experience their developments.

It is possible to interrogate databases that try to understand how people might react to new influences in their lives. In the UK, these surveys include the British Household Panel Survey; Understanding Society; The Crime Survey of England and Wales; and The Taking Part Survey. In Europe, the Eurobarometer survey contains useful information about populations in the 27 European Union countries. There are similar databases in other countries, notably the USA and Canada that also track wellbeing and other quality of life parameters. The housing business support group HACT, working with the economist Daniel Fujiwara has developed a repository of social impacts and values based on this type of information (Trotter et al., 2014).

However, the most accurate way to determine how development changes people's lives is to use some form of experience sampling method. These methods were designed to obtain an understanding of stakeholder's emotional responses to the project they were experiencing. These methods are instructive in the way they ask questions which might include whether the respondent felt happy, or supported, or safe, or more skilled etc.

Social Value International has published guidance on Stakeholder Involvement (SVI, 2017). The guidance contains example of questions that might be used to understand how stakeholders are affected by projects. The guidance points out that these "Are only general examples and would need to be developed in order to be appropriate for the stakeholder." The questions it suggests include:

- How are you involved in the activity we are analysing?
- What did you contribute to the activity (and how much)?
- Did you have to give up anything to take part in the activity?
- What changes did you experience, or do you think you will?
- What do you differently as a result?
- Were all the changes positive?
- If not, what were the negative changes?

The guidance also suggests that those collecting the data should reflect on the answers they obtain from respondents and ask them follow-up questions if the reason for the change they report are not clear:

- Were all the changes you experienced expected or was there anything that you didn't expect that changed?
- How would someone else know that this had happened to you and what would we show them? What would it look like? Could you measure it?
- If it can be measured, could you estimate how much change happened?

- Did others experience the same change?
- Do you think anyone else has experienced any changes as a result?
- What would have happened to you if you hadn't taken part?
- Would you have found something else later?
- Who else provides something like this?
- How long do you think the change will last?
- Did anyone else contribute to the experience/change?
- How important was this change?
- Can you compare it to something else just as important to you?
- Can you put these changes in a priority order of how important they are to you? Which are worth most/least to you?
- Which other ways might you/your organisation achieve the same changes? Which of these changes will make the biggest difference to you?
- Does the frequency or nature of questioning suit the activity? Frequent questioning may annoy or deter participants from engaging with the recipient organisation. Asking too many questions too frequently may not leave enough time for significant or measurable changes to accrue. However, a large gap in time between an event and the survey may mean the change wears off or is poorly remembered.
- Have the questioners asked for informed consent? Respondents need to understand why the questions are being asked, and that the result will be anonymised to avoid specific attribution to individuals unless explicit permission is given for names to be included in the report.
- How can relationships be maintained with people who may experience the intervention on a one-off basis so that they can be contacted in the future to discuss the effect of the change.

The task of obtaining stakeholder account of their experiences with new or proposed development is a known quantity for the prepared and the organised. However, there are some aspects of this work that should be known before venturing in to the field. The NEF Guide to Measuring Wellbeing (2012) has some useful advice about the issues that should be considered before questioning respondents about how they were changed by the BCP project. These include:

- Could literacy issues exclude some from paper-based questionnaires?
- Could age, learning difficulties or income exclude some from participating in on-line or social media-based surveys?
- Could face-to-face interviewing lead to response bias where the respondent tells the question what he/she think they want to hear rather than a more honest answer?

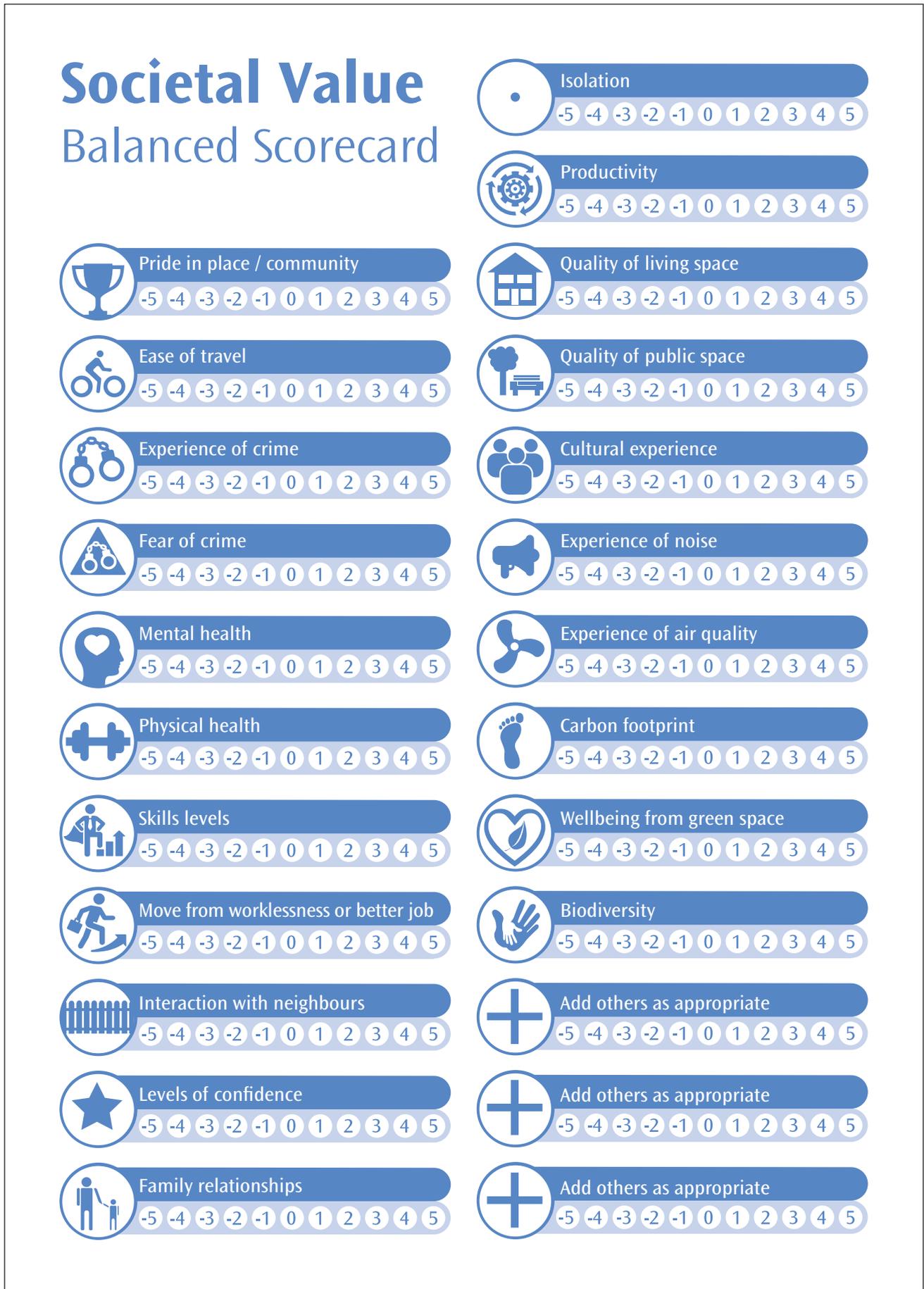
In addition to this, the resource implications for intermediaries (local community groups, charities etc.) of collecting stakeholder experiences needs to be considered. Those that agree to cooperate, either through granting access to their beneficiaries, or to participate in the data collection themselves, may lead to resource implication and these should be discussed before involving their help.

It is also good practice to ensure intermediate bodies have the expertise to comply with data collection requests. Developers who commission this work should be prepared to offer coaching and training to groups that do not have sufficient in-house expertise to carry out the data collection requirements. It will also be good practice to ask for data at intervals throughout the sampling period and, where appropriate, to check the quality of the information being collected.

“Local authorities are placing more emphasis on investment in social infrastructure in their procurement rules and award criteria.”

Ian MacLeod, Birmingham City Council

Figure 4.1: Indicative societal value balanced scorecard



4.2.2. Tools to help understanding about aspiration

Tools such as balanced scorecards have been created for a number of purposes to help planners and designers to be systematic and comprehensive in their consideration of the impact that development can have on people. Figure 4.1 shows an example of how a balanced scorecard might be constructed that seeks to capture social and environmental value as reported by the stakeholders who are impacted by a proposal or an established development.

Some of those interviewed for this report thought that a form of rationale or toolkit for the public sector might contribute to a more transparent process of decision-making about what elements go into a development scheme. The feeling was that if this was in place, as a matter of statutory requirement, then short-term political expediency would be less likely to influence decisions.

4.2.3. Tools to integrate societal value into existing processes

The Supply Chain Sustainability School (2017) suggests that tools should be linked to existing processes rather than create new ways of working that would need to be retrofitted to existing practices. It suggests using the RIBA 7-stage Plan of Works as a framework for building in social and environmental value into the design and build process. The report explains that “Decisions made about people, places and premises during RIBA 0 to 4 (pre-project, options and development stages) exert social influence. Social impacts created by employment, equality and economic opportunities are felt from RIBA 5 (construction phase) onwards.” It does also point out that all of the decisions that are made during the development process will continue to have an influence on the people who experience the scheme long after it has been completed.

While providing a helpful structure within which to apply societal value calculation, it should be accepted that the potential for a development to create societal value will have been set by the time the project has reached Developed Design (RIBA Stage 3). It is of course possible to create social value through apprenticeship schemes and this should be encouraged. However, it is the form and function of the whole scheme, and the influence it has on surrounding stakeholders that produces the greatest amount of societal value in any given project.

4.3. Widening the understanding of value beyond site boundaries

The value that development creates is caused by the changes it makes to people’s lives. These changes not only affect those who live, work and visit the building and grounds of the scheme, but can also profoundly influence those that occupy the space around the development. The construction of tools that help investors, designers, planners and elected officials to understand the full reach of the value created by development could, at the very least, better inform negotiations about the merit of each proposal. At best this approach could accelerate negotiations about the inclusion of features, and the terms of any legal agreements.

It should be accepted from the outset that showing how value can be created or undermined by development is not always a straight-forward process. Allowing sufficient time to elapse before a full understanding of impact does not always fit with the period within which to establish the return on investment. In their review of place-based approaches, Taylor and Buckley (2017) reinforce this point by saying that “Impact on more complex issues that are structural as much as area-based – such as employment, the local economy and health – is much harder to prove, especially in the short/medium-term.”

Another common question that arises from the calculation of societal value is; where does the money that is generated in development that improves people’s lives go? Some undoubtedly is reclaimed by the investor in the form of higher rents, lower insurance premiums, and lower overheads from (for example) reduced management fees, recruitment costs and void turn-around expenditure. Improved reputation can also lead to better and more frequent land and planning deals, and a commercial advantage on competitors that propose lower value schemes.

However, much of the societal value that is produced as a result of improvements to people’s lives is distributed elsewhere in the economic system. Figure 4.2 contains an illustration of what a societal value distribution tool might look like, and some of the factors that could be considered in a discussion about impacts and trade-offs from development projects.

Figure 4.2: Distribution of societal value

Indicative factors affecting people experiencing change	Public value (the state sees changes in public expenditure and tax revenue because of the intervention)	Private value (businesses, people and other non-public organisations experience change because of the intervention)	
		Income and expenditure (by individuals and organisations)	Wellbeing (including changes in self-esteem, self-confidence, feeling of control and belonging and the impact of changes to physical and mental health)
 <p>Crime</p>	Changes to expenditure on policing and judicial system and other local authority services, expenditure on treating patients with physical and mental health problems.	Landlord costs due to changes in voids, management of tenants' complaints, insurance premiums. Local business prosperity changes with incidents of crime.	Fear of crime leading to changes in confidence, anxiety and control.
 <p>Health</p>	Changes to expenditure on treating patients with physical and mental health problems, changes to tax revenue and benefit payments due to productivity for those in work, and those on state support, changes to expenditure on local authority services including social work and social care.	Effects on earnings due to changes in productivity and performance and employment status.	Health status leads to changes in confidence, self-esteem, family relations and feeling of control.
 <p>Employment</p>	Changes to tax revenue due to employment type and opportunity for those in work, and benefit payments to those moving from worklessness to employment, changes in expenditure on health and crime due to employment status.	Changes in disposable income, changes in local business prosperity due to influences on local spending.	Employment status leads to changes in confidence, self-esteem and control. The nature of workplace environments and the support offered there can influence confidence and feeling of control.

Indicative factors affecting people experiencing change	Public value (the state sees changes in public expenditure and tax revenue because of the intervention)	Private value (businesses, people and other non-public organisations experience change because of the intervention)	
		Income and expenditure (by individuals and organisations)	Wellbeing (including changes in self-esteem, self-confidence, feeling of control and belonging and the impact of changes to physical and mental health)
 <p>Educations and skills</p>	<p>Admission on training schemes can lead to changes in tax revenue and benefits expenditure, and can influence expenditure on health and crime due to the potential for better employment status.</p>	<p>Skills and qualifications lead to changes in potential earning power.</p>	<p>Possession of qualifications and credentials leads to changes in confidence, self-esteem and control.</p>
 <p>Local environment (including green and restorative space and cultural significance)</p>	<p>Local environments can influence changes in health, social work and social care expenditure, changes in footfall due to the standard of the local environment can influence the incidence of crime and therefore expenditure on crime.</p>	<p>Attractive environments can influence visitor expenditure and changes to local business prosperity and inward investment. Changes to health can improve productivity and employment opportunities influencing disposable income.</p>	<p>Changes in feeling of belonging, confidence and satisfaction due to surroundings. Activity in open space can influence feelings about state of physical and mental health.</p>
 <p>Climate change (including changes to safety, security, health and livelihood due to the impact on carbon emissions)</p>	<p>Changes to disaster and emergency services expenditure can be influenced by disruption to infrastructure and services, impacts on health expenditure due to heat waves and storms. Disruption to businesses can affect tax revenues.</p>	<p>Damage to property can change business viability, and levels of household savings, disruption can affect individual or organisational earnings.</p>	<p>Loss of property, health, and damage to neighbourhoods can affect confidence, feelings of physical or mental stability, and feeling of belonging.</p>

4.4. Metrics

A common misperception among those who are concerned about the practicality of producing societal value calculations is that there are insufficient metrics available to do this work. In fact, the numerical and monetary data that can be used for this purpose is widely and freely available. Most of the sources of this information will be familiar to researchers with a background or training in the social sciences.

While social (and ecological) metric acquisition may not be familiar territory for many built environment surveyors, the RICS Guidance Note on Sustainability and Commercial Value (RICS, 2013) suggests that valuers should try to continually build up their environmental and social data as this will help to raise the quality over time. The Red Book (RICS, 2014) advises that valuation practitioners should “Extend their data collection and inspection routines accordingly” when working within the sustainability agenda. This advice is particularly important when considering societal value.

The collection of social and environmental metrics can take place at two different stages of a review. It is helpful, often as early in the concept stage of a project, to understand the area in which development is taking place in terms of the socio-economic indicators (health, crime, education attainment etc.), and the presence or absence of social infrastructure (clinics, schools, skills and training centres, cultural and leisure facilities etc.). This helps to map the area to identify social and environmental gaps, or assets to be preserved or enhanced. It also helps to characterise the population and identify pockets of need and possibly untapped human capital that would benefit the sustainability of the development. Sources and accessibility to socio-economic and social infrastructure metrics vary from country to country, but in the UK, they can be obtained from (for example):

- Local authority web pages and records
- Office for National Statistics or ONS such as:
 - Official labour market statistics
 - Census statistics
 - Economic output and activity
 - People, population and community
- Government department sites (Home Office, Department of Justice, Department of health and social Care, Ministry of Housing, Communities & Local Government, etc.)
- Index of multiple deprivation
- Lower layer super output areas

There are many sources for this type of data, but more detailed or specialised issues may have been covered in greater depth by academic studies or research carried out by think tanks or professional bodies. The combined data from these sources can be compiled to form the base case for any subsequent quantification of the changes that the development will bring about in the area.

Metrics are also collected and used when societal value is

monetised. In the field of social return on investment these are known as proxy values as they represent changes to people’s lives based on both market and non-market sources. In each case, the valuer is looking for the price of the unit of measurement chosen to represent the change. If the unit of measurement is the number of visits to the family doctor, then the proxy value will be the cost to the NHS to see a patient at a GP surgery for the average consultation time for that area for example.

A large number of metrics can be found on the Global Value Exchange site maintained by Social Value UK. Individual values can be found from a large number of sources, some of which are:

- Unit costs for health treatment: Costs Book (Scotland), Department of Health Reference Costs (England), Kings Fund
- Unit costs for crime: Ministry of Justice, Home Office, Youth Justice Board, academic studies
- Unit costs for the provision and benefits of education and skills: Department for Education, Department for Business, Innovation & Skills, Work Foundation, academic studies
- Unit costs for wellbeing and the effect of poverty: Publications by HACT, academic studies, Department of Work and Pension, Joseph Rowntree Foundation
- Unit costs for ecological impacts: The Economics of Ecosystems and Biodiversity Valuation Database, The Land Trust, academic studies

This list of sources is not exhaustive. Indeed, there are many other potential data sites and repositories where metrics may be sourced. For an experienced researcher, the acquisition of the relevant informant to carry out the analysis of societal value need not be complicated or time-consuming. The depth of any analysis will be dependent on the scope of the investigation, the scale of development and the number of stakeholders it is likely to affect. However, the information required to produce well-evidenced, transparent analysis in the UK and many other countries is often readily available to those who are skilled to find it.

4.5. Generating societal value from people’s experiences and metrics

It should be possible for any built environment valuer to collect and collate information about societal value in the same way that they are used to carrying out a conventional financial return on investment analysis. As this report indicates, the availability of metrics, and the guidance on the skills required to obtain experiential accounts from stakeholders is now freely available.

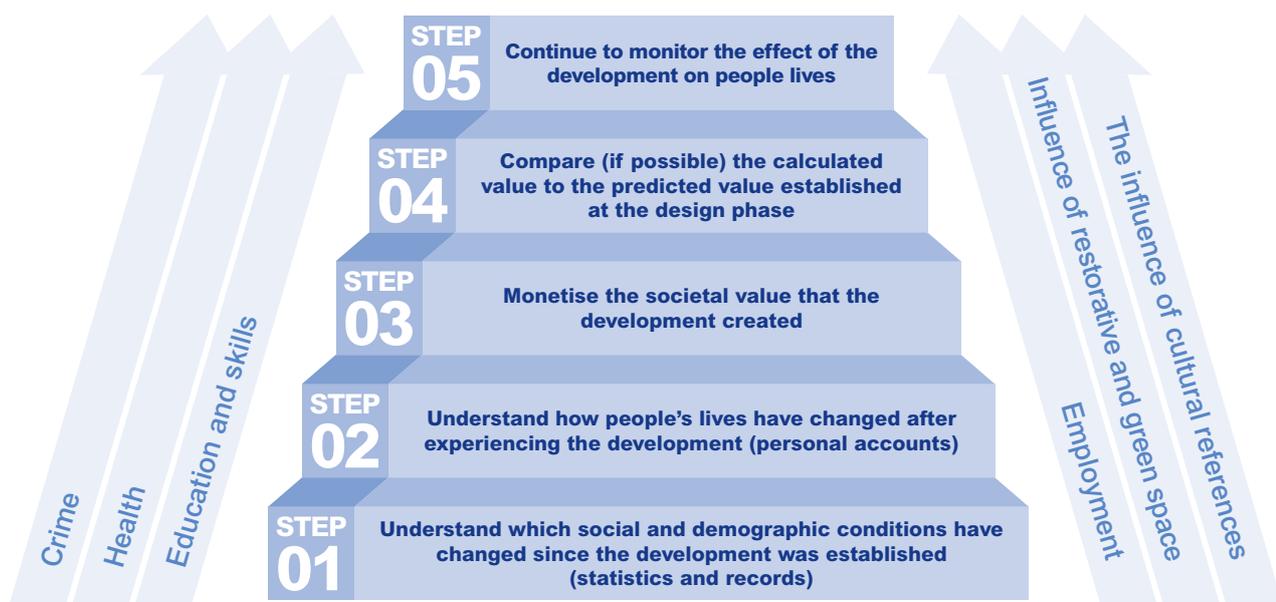
Following a simple step-by-step process set out in more detail by Social Value International, this method can be used to both predict and evaluate post-completion development schemes. Figure 4.3 shows how metrics, the accounts of stakeholders, and factors that affect their lives can be combined to predict and forecast the societal value of planned development. Figure 4.4 show a similar process for the evaluation of societal value of completed development.

Figure 4.3: Linking metrics, accounts and factors to predict the societal value of development



Apply the seven principles of social value at all times during the process, involve stakeholders, understand what changes, value the outcomes that matter, only include what is material, don't overclaim, be transparent, verify the results.

Figure 4.4: Linking metrics, accounts and factors to evaluate the societal value of development

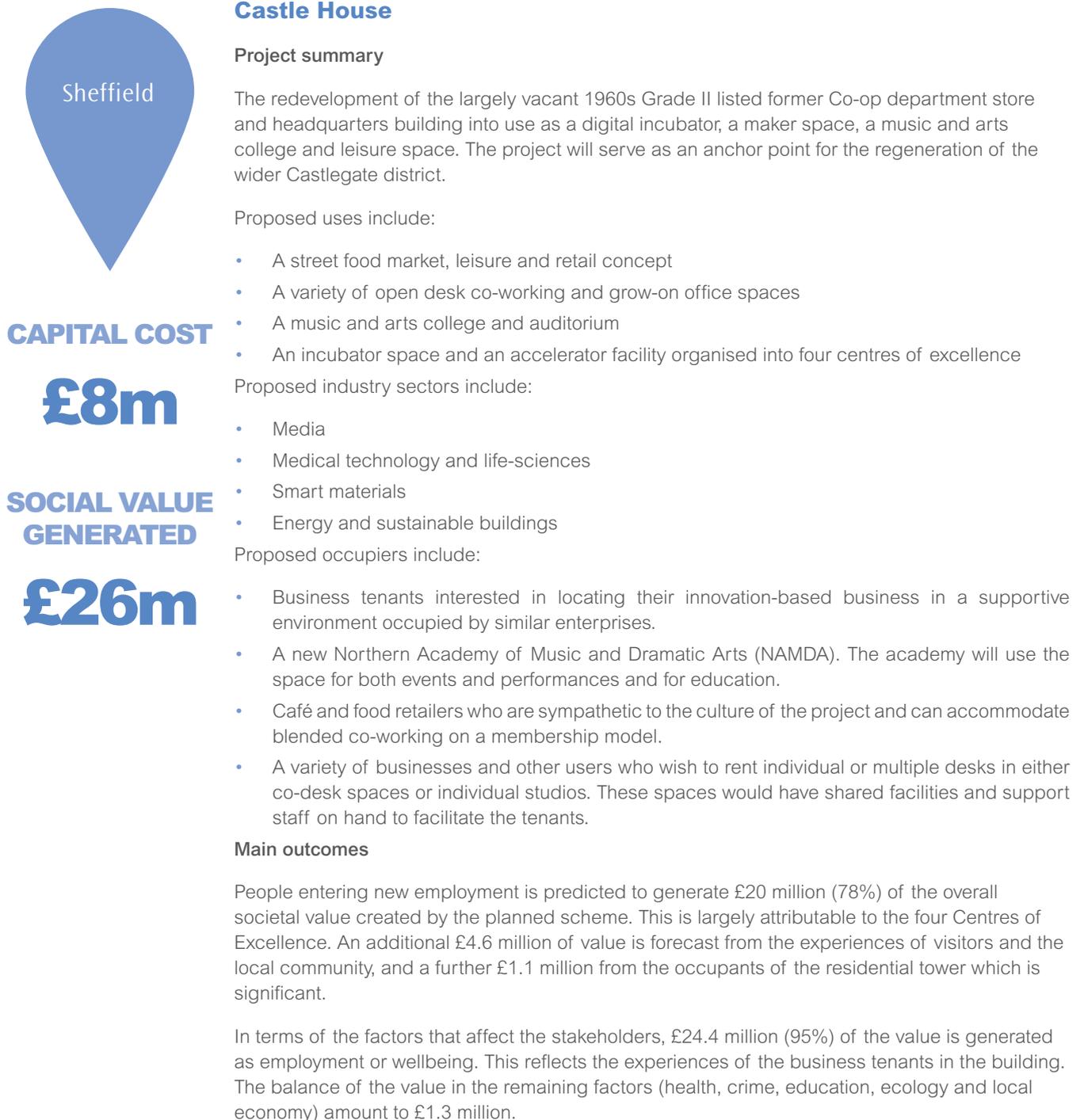


Apply the seven principles of social value at all times during the process, involve stakeholders, understand what changes, value the outcomes that matter, only include what is material, don't overclaim, be transparent, verify the results.

4.6. Examples of the way societal value has been attributed to development projects

The approach used to measure and report on societal value is young and developing. However, it is possible to see a growing number of completed reports that use the social return on investment approach to calculate the societal value of development schemes. Figure 4.5 contains examples of four such case studies. The Kings Cross study was carried out by Regeneris while the other three were carried out by RealWorth.

Figure 4.5: Illustrative case studies showing sustainable return on investment




 Anonymous
CAPITAL COST**£0.8m****SOCIAL VALUE GENERATED****£5m****Anonymous****Project summary**

The project is a meanwhile site designed to catalyse a £1 billion town centre redevelopment. The creation of temporary / pop-up facilities established structures, assets and a range of business and leisure activities on part of the site.

Capital cost

£0.8 million

Main outcomes

Employment and wellbeing values of £4.7 million (95%) arise from new jobs associated, particularly in the café where a social enterprise is working with formerly unemployed people being trained to work in the hospitality sector. Health outcomes £0.2 million (5%) come from working in the gardens, while there are reduction in crime outcomes associated with higher levels of employment and the presence of the new facilities in a previous high crime area. Ecosystems (environmental) outcomes are predicted because of the creation of a new garden. These will be assessed at the next stage of the project's development.

Social value generated

£4.7 million


 Salford
CAPITAL COST**£12m****SOCIAL VALUE GENERATED****£59m****House for Life****Project summary**

Salford City Council asked White Arkitekter to design a concept for an affordable housing scheme in an innercity, on council owned the land. A prospectus for the new scheme stated that "The quality of the home has a substantial impact on health and wellbeing, and poor housing is a contributing risk factor for health inequalities. Ensuring individuals and families have a warm, dry and safe home environment is a key priority for Public Health and Social Care and action is required to reduce inequalities. The Council therefore wishes to see innovative development proposals which will contribute to improved health through a range of measures.

Capital cost

£12.2 million

Main outcomes

Provision of:

- A wide range of public and private spaces, designed to promote active lifestyles and community interaction
- Encouraging walking and cycling and lowering use of the private car through street layouts and the control of car parking throughout the development
- Shared communal gardens / greenhouses to enable local food production and gardening and promote community interaction
- Sports facilities, gym equipment, play spaces and other active social areas to promote community interaction
- Small scale retail facilities which could be linked to local food production across the site

Social value generated

£59 million (a sustainable return on investment ratio of 1:4.9)



King's Cross

Project summary

Located within one of London's most vibrant and rapidly evolving locations, King's Cross is one of London's largest and most high-profile developments. The development has been guided by Argent's (the developer and asset manager) ten 'Principles for a Human City' which places an emphasis on long-term stewardship, high-quality, inclusive design, accessible public realm, diversity, and engagement.

Now in its 9th year of development, King's Cross has already become a thriving residential and commercial hub, visited by over seven million people per year. To date, around 1.4 million sq. ft. of commercial space has been delivered, with 97% of this occupied. King's Cross has succeeded in attracting a diverse range of organisations, from multi-national businesses, to independent arts and culture focused organisations.

The scheme also incorporates 900 new homes 325 affordable 750 student rooms 1,200 working age residents. 3 million sq. ft. commercial offices.

CAPITAL COST

£3bn

Capital cost

£3 billion construction investment (November 2017)

SOCIAL VALUE GENERATED

£21m

Support for NVQ L2 and apprenticeships

Main outcomes

An innovative range of housing tenures and models, providing secure and affordable housing options for London's population.

500 jobs supported within local suppliers during construction.

160

Services and amenities jobs

Local and previously unemployed people employed within commercial and amenity uses on site; CSR activities of occupiers; business rates estimated to be in the region of £25 million per annum.

Social and wellbeing benefits via participation in arts and culture activities; wellbeing values associated with reductions in crime behaviour, and increased community interaction.

8,500

On site jobs

Social and economic impacts relating to school and education interventions such as the reading buddy scheme; wellbeing impacts relating to wider training and knowledge transfer initiatives.

Social value generated

£4.6 million lifetime uplift NVQ L2 supports £16.8 million lifetime uplift for apprenticeship supports through construction activities.

160 local jobs supported within local services and amenities via resident expenditure (estimated to be in the region of £17 million per annum).

8,500 jobs supported on site in the commercial offices (estimated to generate in the region of £0.5 billion GVA per annum) £20.7 million lifetime uplift for KX Recruit 'into' employment supports (economic uplift for moving from unemployment to employment).

£12m

Community wellbeing uplift

Estimate uplift

£12.5 million community wellbeing uplift (wellbeing uplift in 2015/16 for regular volunteering, regular attendance at youth club and regular attendance at low cost sport events).

£0.5bn+ ANNUALLY

“Delivering social infrastructure earlier helps create a sense of place and supports enhanced financial return.”

Andy Von Bradsky, Ministry of Housing, Communities and Local Government



5

Implementing change

Summary of key points in this section

- The public sector has a role to play in taking a lead for setting out the social and environmental needs of their area, and expectations of the receiving community in terms of the societal value that should be created by development.
- It is more difficult to incorporate societal value requirements in development criteria in places where there is low investor interest. Regardless of market conditions, the needs of the population should be reflected in the requirements of the commissioners or regulators.
- The public sector could start to influence a change in culture by publishing case studies which record the benefits of investing in societal value.
- Investment in societal value presents some serious challenges for investors and developers. This has been described as the split-incentives dilemma where some of the benefits of investment are returned to the investor, but other benefits go elsewhere.
- The creation of societal value is a main driver for the public sector, but the private sector is also beginning to embrace this. Some are making this a key part of their branding and marketing offer.
- Institutional investors (especially American funds and pension funds) are now increasingly interested in responsible investment and are therefore looking more closely at social and environmental impact.
- Many occupiers have set high benchmarks for the environmental performance of the places they occupy. There are now signs that this environmental focus is widening to include social value.
- There is real potential for regulation to influence the incorporation of societal value during the planning process. This could be by providing guidance to help all parties focus on the creation of place and societal value. This would assist prospective developers to focus their proposals to benefit the widest number of people in the area.
- There should be a thorough review and updating of the guidelines and requirements for public consultation and placemaking. This would align stakeholder needs and aspirations with development proposals. This process should occur much earlier in the process.
- Public authorities in negotiation with developers (including their legal advisors) could be better informed about how to build in societal value into arguments to justify less than market value. Best consideration could be used to lever more pro-social, and environmental investment into schemes if the was the case.
- There is evidence that investors are becoming increasingly interested in understanding and benchmarking the societal impact of their investments. Many already integrate societal (mainly environmental) factors into their investment models and policies. There is growing desire to improve the way social value is understood, measured and benchmarked.
- There is a need to overcome the tension between preserving financial viability for investors and adding more societal value into development projects. One solution could be to create new funding vehicles to plug the gap between standard and enhanced societal value projects.

5.1. How cultural change might be influenced

Section 3.3 of this report explored ways in which the culture that governs land and property valuation could contribute to the integration of societal value into development. Those that were interviewed about the potential for cultures in all sectors to change made the following points:

- Local government is always interested in added value but it can be restricted by procurement rules. Officers may not be able to accept lower land values in exchange for longer-term gains and are almost always risk averse.
- There are too many silos of interest and discipline in all organisations. It gets in the way of cross-sectoral co-operation.
- There is a tendency to introduce new development without paying attention to maximising the existing assets of a place.
- Risk aversion is everywhere. Most who are involved in the process are generally worried about making a mistake. Some of this is due to a lack of human resources. This suggests that creativity, and the instigation of novel ideas is being hampered by an interest in maintaining the status quo when establishing development. The measurement, integration and nurturing of societal value as a tangible achievement is therefore at risk if the prevailing culture is maintained.

Many of those interviewed accepted that culture change needs the acceptance of all of the primary actors in the development process.

Culture change in the public sector

There was a general feeling among practitioners, regardless of the sector they represented, that the public sector needed to lead the way and set out the needs and expectations of the receiving community in terms of the societal value that should come with new development and regeneration. It was accepted that it is easier to set development criteria in areas where land and property is in high demand, and more difficult where investment is hard to attract. However, regardless of market conditions, the needs of the population should be reflected in the requirements of the planning authority.

One interviewee commented that local authorities should be bolder and show greater civic leadership on how they convey and describe their visions for development at a range of scales from master planning through to city-regional spatial strategies. Another said that the public sector has the power and the authority to direct the market into areas of mutual benefit. It is time to redress the balance so that investors and communities exist on an equal footing.

One way that the public sector can influence culture change is to start to record and measure the benefits of investing in societal value. Positive examples have the potential to be a more effective method of persuasion than threats to withhold

permission. Evidence could include examples of how community support can de-risk a project, or the benefits of a healthier or more competitive local workforce.

Culture change in the private sector

In the private sector, there is an understandable obligation to generate sufficient profit from development and property to both create enough income for subsequent investment and reward investor and shareholders with sufficient returns to encourage continued involvement in the company.

Previously, and in many cases today, investment in societal value presents some serious challenges to investors and developers. This has been described as the split-incentives dilemma where some of the benefits of investment are returned to the investor, but other benefits go elsewhere. An example of this might be investment in energy efficient offices. The investor might be able to increase rents as a result of this improvement, but the tenant also benefits from lower energy bills, and global stakeholders benefit from a lower likelihood of harmful impacts from global warming. The long-view of societal investment is often insufficiently convincing against the short-term pressures of income and expenditure, and expectations of returns on investment. A change in culture would be required if the inclusive benefits of investment was recognised as the route to a more conducive business environment.

Some detailed points that were made during the interview stage of the study can be summarised as:

- There is a strong feeling that there are large numbers of people and organisations who want to do better across the sector, giving the movement for inclusive growth a moral imperative.
- The creation of social and environmental value was always and still is a main driver for the public sector and third sectors, but the private sector (developers, designers, etc.) is now understanding it as well. Some are making this a key part of their branding and market offer.
- Institutional investors (especially American funds and pension funds) are now increasingly interested in responsible investment and are therefore looking at social and environmental impact.
- Many occupiers have set high benchmarks for the environmental performance of the places they use and occupy. There are now signs that this environmental focus is widening to include social value.
- There are signs of a shift from corporate social responsibility to understanding the wider social impact and value that can be created by a business in its wider engagement with its local community. Firms are beginning to look at a more long-term view which might include connecting to and supporting socially and economically deprived people and communities.

Those interviewed for this report believed that designing inclusive benefits may mean smaller short-term margins in

some cases. But the societal value this creates will often mean better medium and long-term opportunities in terms of access to land, favoured status, terms of finance and even better staff recruitment outcomes.

Where there is potential for split-incentive choices, the decision to invest in social and environmental value will be interpreted through the lens of mutual benefits. In these cases, cost is better viewed as investment in maximising the value of an asset over its lifetime (Supply Chain School, 2017).

Shaun McCarthy, as Chair of the Supply Chain School said that “Societal expectations are changing rapidly. It is no longer enough for organisations to produce glossy corporate responsibility reports once a year, neither is it acceptable to consider social issues simply to be a reputation risk. Stakeholders demand real value creation. However, defining, delivering and measuring social value remains a challenge (Supply Chain Sustainability School, 2017).”

5.2. How change in regulation or best practice guidance might be influenced

Section 3.2 of this report explored ways in which a change to the regulatory regime might facilitate the incorporation of greater amounts of societal value in development. Three regulatory areas were identified as influential and open to amendment; procurement of land and assets, planning law, and the Social Value Act.

There was a large variation of opinion when practitioners were interviewed about the best way to change regulation. Many were concerned that if changes to regulation were to be successfully proposed, the government would need to be convinced that this would not hinder the speed of establishing development. This is particularly true for the acute need to increase housebuilding.

Planning law

Many of those interviewed were drawn to consider how Section 106 agreements could be reformed to be more effective at encouraging more societal value into development. While some recognised that it was unfair on public bodies that agreements could now be re-negotiated, there was also an acknowledgment that a volatile economy could jeopardise the stability of developer’s business and that re-negotiation was a safeguard against this. However, it was also stated that claiming unviability could be exploited, particularly as the grounds for this is often protected as commercially confidential. There was also support for the idea that local authorities should be able to argue that the societal value that they require from a developer should at least be equal to the profit margin that they make by developing the site. The delivery of social value early in the development of a scheme should be considered as equally important to the need for financial return on investment to be realised.

The main concern about reform of the S106 rules was that these agreements often come too late in the planning process to make a significant difference to the scheme. This led some who were consulted to turn their attention to consider a revision of the National Planning and Policy Framework or NPPF. Planners already have dispensation to argue for more social value through wellbeing powers (via NPPF) but it was felt that these are not often exercised. This may be due to a limited understanding of what wellbeing means (the term is not in the glossary of the Framework). Some considered that the need to promote wellbeing was referenced when planning authorities were looking for grounds to reject unwanted planning application but was less used as a primary criterion for shaping prospective development at the pre-application stage.

One idea that emerged from these discussions was the potential for regulation occupying the middle ground (between national policy and legal agreement) to influence the incorporation of societal value during planning. This might provide guidance to help all parties to focus on the creation of place and societal value in a way that design guides assist prospective applicants to understand how to be sensitive to an area’s streetscapes by recognising building heights and use of materials.

The precedent for this idea was the way local authorities were defining development opportunity areas (such as the Old Kent Road opportunity area). These are written to set a clear vision for an area derived from consultations with the local community about their aspirations for their neighbourhood. This vision could be drafted in outcome terms to allow developers more flexibility on how this can be achieved and should describe how the site is integrated within the wider plans for others in the area, from a people, functionality and design standard view point. Crucially, it will explain existing social infrastructure, and the amount of societal value that already existed in the area. It could also set out where there are gaps and needs to help prospective developers to focus their proposals to benefit the widest number of people in the area.

Finally, there was some support for a thorough review and updating of the guidelines and requirements for public consultation and placemaking. This was proposed to align stakeholder needs and aspirations with development proposals. During this process applicants could be encouraged to understand social and environment value deficit and pool of resources by asking questions about communities’ experience of the area beyond the narrow interests of the site boundaries. This information could be used later to justify development proposal features. Current guidance on consultation is limited primarily to the nature of information, its dissemination routes, and the period of consultation. Many interviewed for this report thought that consultation with the community affected by development proposals occurred far too late in the process to be meaningful to either party in terms of the enhancement of societal value and that earlier efforts in this area would pay dividends.

Procurement

Some thought that more assertive use of compulsory purchase orders might hasten the clearance of obstructive land and property owners paving the way for faster developments with higher societal value. However, there was a counter view that this option was more stick than carrot and would demonstrate that the arguments for better development had not been won.

Regarding the rules on best consideration, there was a feeling among those consulted that the public sector and its legal advisors could be better informed about how to justify best consideration when seeking to dispose of land and assets at less than market value. It was generally felt that best consideration could be effective in countering the viability test arguments often used by developers to reduce pro-social and pro-environmental investment in a scheme. While it was recognised that integrating arguments of societal value into the justification of land and property deals would put additional resource pressure on local authorities, this could result in value for money if longer-term value was extracted from the negotiations with developers.

Social Value Act

When asked about the Social Value Act (SVA), most practitioners said they were unfamiliar with the legislation and did not have an opinion. This is unsurprising as the SVA does not at present apply to development or the planning process. Most were interested in the potential for the Act to be extended (as suggested in section 3.2.2 of this report) as part of making social value a material consideration in the planning process. One effect that this might have would be to change the emphasis of supporting information on economic impacts. Current information submitted with (for example) planning applications tends to explain how risk or negative impact will be mitigated. A requirement to report on societal value would emphasise the positive aspects of the scheme.

A general point made by many who were interviewed was that the maximisation of societal value in development will depend upon better use of the entire development process, from the emergence of concept through to occupation. Regulating for change will improve different parts of the process and this should be reviewed and promoted by government. However, there was also support for an overarching change in the approach of all parties towards development. This can be summarised as the need for public bodies to put societal value at the heart of all negotiations, and the need for those promoting development to include social purpose as an equal driver with economic return in the pursuit of a successful scheme. There has been a notable shift in certain sections of the industry, and in recent development plans such as the Draft London Plan. However, there is still a long way to go before societal value is incorporated as common practice.

5.3. How funding and investment practices might be influenced

Section 3.4 of this report discussed some of the ways new economic funding vehicles or practices might overcome the tension between preserving financial viability for investors and added more societal value into development projects. It was suggested that one solution could be to create new funding vehicles to plug the gap between standard and enhanced societal value projects.

Questions about how such a funding regime might work in the future was put to a wide range of practitioners during the interview phase of this project. There was general consensus that the gap funding was unlikely to originate from local government budgets given the current and expected legacy of central government austerity policies.

There was also common ground among interviewees that gap funding would need to be offered under the criteria of what is now known as patient investment. It was also agreed that a very large fund will be required to rectify acute problems such as the lack of affordable housing, and to start to address chronic problems such as the number of people living under conditions of multiple deprivation.

Views on who could supply societal investment gap funding was universal; due to the large sums required, it would need to come from central government. However, there were some differences on how this should be administered, and over the criteria which should be used to determine the projects to which it would apply.

There is ample precedent for central government creating funds to solve intractable social problems. Big Society Capital offers finance for affordable housing. But many of these funds are usually made available as a loan. For societal value gap funding to be effective, central government is likely to need to create a fund that rewards social investors by repayment with interest over a period of time sufficient to realise improvement in people's lives.

The UK National Advisory Board on Impact Investing thinks that the government should establish an 'Inclusive Economy Catalyst Fund' of at least £2 billion for a range of projects that will create social value (UK NAB, 2017). However, in discussion with interviewees, it was understood that government still prefers to undertake investment as a financial transaction rather than administer grants. This is partly because of the time period of an investment is usually stretched over the life of the scheme, and partly because the expenditure is recorded differently on a government's balance sheet. There are exceptions such as the £5 billion Housing Infrastructure Fund (HIF). The Fund is available as a competitive grant to local authorities and is designed to help to unlock more difficult housing sites and accelerate housebuilding. The criteria for the HIF could be extended to supplement the cost of schemes where developers are reluctant to invest in enhanced levels of societal value.

Alternatives to a grant-making fund could include an extension of the criteria currently relating to the £3 billion Home Building Fund managed by Homes England. Two-thirds of this is allocated for infrastructure. Criteria changes might include a portion of the fund allocated to investment (currently the money is only available as a loan). It could be made available to placemaking bodies of any sector (not just the private sector) and could be focused (at least in part) specifically on elements and features of a development that increases societal value.

Another idea that came from discussions during this project was to use the precedent of the UK Guarantees Scheme administered by HM Treasury to back social impact bonds. The UK Guarantees Scheme was introduced as a response to difficult financial market conditions for infrastructure finance in the wake of the 2008 crisis. Providing the social return on investment shows that the impact investors (through the SIB) benefited society by providing the gap funding for societal value, the Guarantee Scheme could be used to pay back their investment over time. Clearly, HMT and the National Audit office would need to be satisfied that the methodology to show social returns was robust, but the concept conforms to other social impact bond vehicles.

While some accepted that this would represent a significant commitment of public funds, there were also shorter-term dividends and benefits to a scheme that funds the enhancement of societal value. More social value can result in sharing (between investors and the State) of receipts and enhanced land values early in the process. This can in turn increase confidence, reduce risk, and ease the raising of further finance (from the market) and fund continual investment into the social infrastructure which in turn creates a sense of place.

There was strong evidence from interviewees that investors are becoming increasingly interested in understanding and benchmarking the societal impact of their investments. Many already integrate societal factors into their investment models and policies. In some portfolios (mainly high-end central business district real estate) this practise has become widely adopted for environmental performance. However, there is a growing desire to improve the way social value is understood, measured and benchmarked. Environmental Social and Governance (ESG) criteria is being reviewed by a range of bodies such as the UNEP Finance Initiative Positive Impact Working Group and GRESB. The consensus was that there is much work to do in the investment world including setting and agreeing a standard approach to impact measurement, garnering broad investor support and implementing a methodology that allows benchmarking of the social impact of real estate.

"Ideally, it begins with investor partners who are prepared to take a long-term 'patient' view. Taking a development-wide long-term view can give weight to the 'softer' social metrics which ultimately make projects and places more resilient thereby reducing investor risk."

Andrew Turner, Argent



6

Findings and recommendations

6.1. Key findings

The link between financial returns and creating buildings and places in which people and communities thrive

- Accounts from the practitioners who were interviewed for this report show there is strong evidence that property and development that creates societal value can produce higher levels of financial return compared to schemes that do not.
- A search through the literature and accounts from interviewees for this report shows that the information needed to prove that development rich in societal value is worth more on the open market is not being routinely collected and so, at present this assertion cannot be proven.
- The industry has identified a number of challenges that limits the ability to deliver societal value in many types of development schemes.
- A key technical barrier to establishing the societal value is the erroneous belief that it is not possible to place a monetary value on social and environmental change in the built environment. Using methods of valuation based on the accounts of those who are directly affected by development, it is now possible to provide transparent and evidence-based societal values to compliment conventional financial valuations of property and development.
- Societal Value needs to be discussed at the early stages of the development process, and between all parties that are going to be involved in the establishment of the development.
- Many local authorities face multiple barriers when seeking to increase the societal value of proposed development and address the needs of their communities. These include under-funded planning and regeneration teams, concern about risk in relation to public expenditure, perceived legislative constraints around the disposal of land and assets, or in the formulation of legal agreements.
- A strong (often ambitious), clear, aligned and well communicated long-term vision between local authority, developer, investor, local community and local businesses.
- One (or more) stakeholders with the aspiration and drive to create a legacy asset.
- An investor who is prepared to accept a patient approach to achieving long term, low-risk returns.
- A developer who is intimately acquainted with the needs and wishes of the local and adjacent communities and who is committed to enhancing existing public assets to generate a sense of place in the short, medium and long term.
- A public-sector partner who is able to take a flexible long-term interest and involvement in a development and has the skills, experience and resources to actively participate and steer a scheme toward inclusive goals.

The need for more and better techniques, metrics and ways to understand the societal value of development

- There is an opportunity for a change of culture among all those involved in the development process that favours an interest to maximise societal value in every proposed scheme.
- Existing (conventional) methods used to value real estate and property are effective, but tend to undervalue or overlook the impact development has on people.
- New economic thought such as the inclusive growth or good growth (as described in the Draft London Plan) suggests that investment in development should benefit the widest number of people which infers both financial and societal value.
- Measuring and reporting societal value in the built environment could be carried out as a parallel exercise to financial valuation. Separate guidance could be drafted to standardise some techniques and assist those who wish to adopt the new discipline.
- Short-termism presents barriers to the creation of societal value. For example, some private sector investors are unable to wait for social and environmental benefits to pay dividends, while the electoral cycle and the need to supplement falling central grants affects the decisions made by the public sector.
- Or those organisations that are seeking assistance with societal value there is a there is a small but growing group of experts utilising an approach based on social return on

Common features of developments that create significant societal value

The case studies featured in this report share the following features:

investment that is capable of monetising societal value. The approach is based on stakeholder accounts and socio-economic statistical data.

There is the potential for new financial mechanisms to overcome the gap between conventional development, and development that maximises societal value. Encouragement of impact investment and patient capital into property, and the ability of government to guarantee impact bonds are a few examples of how these mechanisms might take shape.

6.2. Key recommendations

Shifting current practice to include reporting on societal value

- There is a need for a fresh impetus across the industry to create accepted methods to define societal value. Accountants and the RICS in particular are well placed to use their considerable influence and expertise to accelerate the acceptance and use of societal value. They can do this by issuing guidance that societal value should feature as a standard chapter in every report that members of professional bodies produce. Commissioning new research, cross-discipline debates, and working with HM Treasury on new guidance would contribute to this aim.
- A review of the Green Book led by HM Treasury would enable the industry to revisit the advice on non-market valuation methods. The Green Book could add to the technical advice on how to monetise social and environmental change and suggest that all appraisals of proposals should include an attempt to report on societal value before committing funds to a policy, programme or project and then understanding the value actually created once complete.

Improving techniques to understand how people feel about their surroundings

- Skills, training and qualifications could be developed for valuers, planners and designers to understand the experiences of stakeholders and what is important to communities so that an accurate assessment of the societal value of projects can be made. There are differing views on who should provide this training, but there is consensus that there is a need for a formal accredited programme which is accessible to all parts of the industry.
- Funding for continuing development of both financial and non-financial valuation methods for the property and development sector could be made available to higher education and research establishments.
- A review of how public consultation is carried out during the development process could result in a more effective partnership between communities and developers.
- The nature of information required by planning authorities could include a report on the existing socio-economic and social infrastructure of the receiving area, and an accurate and representative understanding of the community's aspirations for themselves and their area.

What can be done by the central government?

- A Green Paper on Societal Value and Development could be commissioned and published by the Ministry for Housing, Communities and Local Government setting out a new approach on how to establish the viability of development and regeneration projects, so they conform to the inclusive growth model. The Green Paper could also cover proposals on how to reform planning law and the Social Value Act to ensure societal value is incorporated into every planning proposal.
- Develop a common framework on how to forecast and evaluate societal value. Encourage or legislate for this to be an accepted industry practise in the way that BREEAM and LEED have been adopted for environmental performance.
- A programme to reform planning law (S106, best consideration etc.) and the Social Value Act to ensure societal value is incorporated into the development process at the earliest opportunity. This includes a new interpretation of viability where both financial and societal value are considered in the determination of what is deemed a viable project.
- Develop a standard approach to forecasting potential and measuring actual societal value created. Consider how to introduce accountability and reward for under and over performance in terms of societal value generated.
- Consider expanding the UK Guarantees Scheme and the Home Building Fund to include support for developers and social impact investors who are funding high societal value projects.

What can be done by developers and local authorities?

- Those involved in establishing development should ensure that they fully understand the need to maximise societal value into development projects.
- All parties in the development process should carefully and meticulously align the community's views with the aspirations and ambitions of other stakeholders.
- Work should be done in association with central government to explore ways of improving, standardising and mandating the pre-application consultation and Design Panel Review processes and to spread the process and philosophy of opportunity areas outside London.
- Widely adopt the concept, language and ambition of good growth set out in the Draft London Plan across other areas in the UK.
- All parties to agree the preparation of an inclusive design statement evidencing how proposals meet the needs of people with protected characteristics (including age, race, gender, disability, race, religion, pregnancy, etc.). The definition of protected characteristics should be extended to include people experiencing social and economic deprivation.

7

Terminology

The terminology around the value of real estate can be inconsistent. For this report we describe ‘financial value’ as the financial surplus generated by an organisation, project or programme in the course of its activities. However, development also creates (and sometimes destroys) value depending on the effect it has on people and the environment. In this report we call this ‘societal value’. We appreciate that financial value can have a profound and beneficial effect on society. However, the impact of money created by the investor depends how it is re-invested in society. Societal value stems directly from the experiences of those affected by development. This distinction makes it helpful to separate the two types of value without making any judgements about their relative merits. The important point here is that financial value and societal value need to be considered together as sub-components of the combined value of any development.

The term ‘wellbeing’ is used in the context of societal value assessment as the way people would describe how they feel about themselves at the time they are asked. The New Economics Foundation define wellbeing as “the dynamic process that gives people a sense of how their lives are going, through the interaction between their circumstances, activities and psychological resources or ‘mental capital’ (Michaelson et al., 2012).”

Definitions of terms used in this report:

- **Best value** – The most advantageous combination of cost, quality and sustainability to meet customer requirements. In this context, cost means consideration of the whole life cost; quality means meeting a specification which is fit for purpose and sufficient to meet the customer’s requirements and sustainability means economic, social and environmental benefits.
- **Best consideration** – Section 123 (2) of the Local Government Act 1972 requires the consent of the Secretary of State to a disposal, other than by way of a short tenancy, for a consideration less than the best that can reasonably be obtained.
- **BREEAM (Building Research Establishment Environmental Assessment Method)** – A method of assessing, rating, and certifying the sustainability of buildings.
- **Environmental value** – The environmental change experienced by individuals, communities and society through interventions that affect natural systems.
- **Factors** – Topics that affect stakeholder lives including crime, health, wellbeing, training and skills, employment and green and restorative space.
- **Financial value** – The financial surplus generated by an organisation, project or programme during its activities.
- **Good growth** – A term used in the December 2017 Draft London Plan which refers to growth which works to re-balance development towards more genuinely affordable homes and to deliver a more socially integrated and sustainable city, where people have more of a say and growth brings the best out of existing places while providing new opportunities to communities.
- **Green Book** – Guidance for central UK government produced by the UK Treasury on how publicly funded bodies should prepare and analyse proposed policies, programmes and projects to obtain the best public value and manage risks. It also contains guidance on evaluating results and performance of policies, programmes and projects after they have been implemented.
- **Green paper** – Consultation documents produced by the government, whose aim is to allow people both inside and outside Parliament to give feedback on policy or legislative proposals.
- **Gross development value (GDV)** – The estimated total revenue a developer could obtain from a development.
- **Impact** – The difference that an intervention makes for stakeholders (considering what would have happened anyway, the contribution of others and the length of time the outcomes last).
- **Inclusive growth** – A concept that advances equitable opportunities for economic participants with benefits incurred by every section of society.
- **Inclusive Growth Commission** – An independent inquiry designed to understand and identify practical ways to make local economies across the UK more economically inclusive and prosperous.
- **Inclusive design statement** – The design of an environment so that it can be accessed and used by as many people as possible, regardless of age, gender and disability. This approach involves potential users including those with protected characteristics at all stages of the design process.
- **Intervention** – Something that is delivered that seeks to bring about change. This could be a project, a programme, a policy or other types of investment.

- **LEED (Leadership in Energy and Environmental Design)** – A certification programme focused primarily on new, commercial-building projects.
- **Local community** – A stakeholder group that describes people who live close enough to an intervention to be potentially materially affected by its impacts.
- **Market approach** – A valuation approach that provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available.
- **Market value** – The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.
- **Opportunity areas** – Identified areas which form part of the UK government's plan for dealing with social mobility through education.
- **Outcomes** – The changes resulting from an activity. The main types of change from the perspective of stakeholders are unintended (unexpected) and intended (expected), positive and negative change.
- **Patient capital** – Another name for long term capital, where the investor is willing to make a financial investment with no expectation of turning a quick profit. Instead, the investor is willing to forgo an immediate return in anticipation of more substantial returns in the future. It is often associated with socially responsible lending where it may take the form of equity, debt, loan guarantees or other financial instruments.
- **Protected characteristics** – Age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage and civil partnership and pregnancy and maternity conferred by the Equality Act 2010.
- **Real estate** – Land and all things that are a natural part of the land (e.g. trees, minerals) and things that have been attached to the land (e.g. buildings, infrastructure and site improvements) and all permanent building attachments (e.g. plant servicing a building), that are both below and above the ground.
- **Red Book** – The 2017 edition of the RICS Valuation – Global Standards containing the latest international valuation standards, additional requirements and best practice guidance.
- **Seven principles of social value** – The principles were developed by Social Value UK & Social Value International and are used to make decisions that take a wider definition of value into account. The principles include: involve stakeholders, understand what changes, value the outcomes that matter, only include what is material, do not over claim, be transparent, and verify the results.
- **Social value** – The social difference made to individuals, communities and society through interventions.
- **Social value statement** – The process of determining, through a range of data collection methods, the existing social infrastructure and the likely social needs of an area.
- **Societal value** – The social and environmental difference made to individuals, communities and society through interventions. The combined effects of social and environmental value
- **Stakeholders** – People, organisations or entities that experience change, whether positive or negative, as a result of the activity/intervention that is being analysed.
- **Sustainable return on investment (SuROI)** – A framework used by RealWorth to combine multiple methods and approaches designed to understand and measure social and environmental change stemming from built environment projects.
- **Valuation** – Either the process of establishing the value of an asset or liability, or the amount representing an opinion or estimate of value.
- **Wellbeing** – A broad measure of how well someone's life is going.
- **White paper** – Documents issued by the government as statements of policy. They often set out proposals for legislative changes, which may be debated before a Bill is introduced. Some White Papers may invite comments.

8

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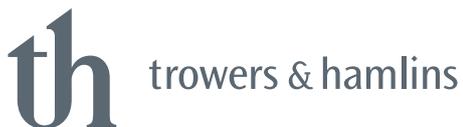
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