UNIVERSITY OF LIVERPOOL

Heseltine Institute for Public Policy, Practice and Place


# ASSET OWNERSHIP IN LIVERPOOL CITY REGION'S SOCIAL ECONOMY

## HOW TO IMPROVE PRODUCTIVITY AND DELIVER SOCIAL IMPACT FOR A MORE INCLUSIVE ECONOMY

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September 2023

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# Foreword

Following a decade of economic stagnation, and then a pandemic, public policymakers are grappling with increasingly complex challenges which require new thinking beyond a 'business as usual' approach or a simple reversion to traditional models and practice. This report combines new research and lessons from case studies of community asset ownership and regeneration to build the economic case for greater ownership of community assets in Liverpool City Region's social economy. Recognising the distinctive role of social innovation in Liverpool City Region, the report presents fresh thinking and practical proposals for anchor institutions on how to transfer underutilised assets into community hands to create shared prosperity for all.

One of our roles at the Heseltine Institute is to connect policymakers and practitioners to impactful and cross-cutting research. We hope the insights captured in this report provoke debate and help shape future public policy interventions.

# About this report

This report was funded by Kindred LCR CIC, Liverpool City Region Combined Authority, Power to Change, Safe Regeneration Ltd, and The Women's Organisation.

## List of Abbreviations

| | |
|---|---|
| C&D | Creative & Digital |
| CIC | Community Interest Company |
| CIO | Charitable Incorporated Organisation |
| ECBHA | Eldonian Community Based Housing Association Limited |
| ECTL | Eldonian Community Trust Limited |
| EDTL | Eldonian Development Trust Limited |
| EGL | Eldonian Group Limited |
| EPC | Ethical Property Company Limited |
| LCC | Liverpool City Council |
| LCR | Liverpool City Region |
| NWDA | North West Development Agency |
| SJHRC | Social Justice and Human Rights Centre Company Limited |
| SMBC | Sefton Metropolitan Borough Council |
| SSDT | South Sefton Development Trust |
| SSIC | South Sefton Investment Centre |
| SSP | South Sefton Single Regeneration Budget Partnership |
| STO | Socially Trading Organisation |

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Views expressed and any errors are those of the authors only and not those of the funding organisations.

# Asset Ownership in Liverpool City Region's Social Economy

## Key Messages

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

- Right governance involves a carefully defined community of interest with company objects written to protect it, an asset lock, a suitably skilled board that represents and protects the interests of the community, and a governance structure which fits with funding requirements.
- We propose several recommendations in this report:
  - Establish a Liverpool City Region Asset Holding Company (LCR CAHoldCo) to take on and hold land and property on behalf of community groups and social organisations while they raise funds, secure planning permission, and identify development partners.
  - Assets for LCR CAHoldCo to be contributed by private owners, the public sector, or the largest organisations within the social economy – housing associations, universities, large charities, and social enterprises. In fact, any land or property owner with underutilised assets that could be better used for community benefit.
  - Funding for LCR CAHoldCo to be provided by LCR Combined Authority, Merseyside Pension Fund, private sector pension investors, Big Society Capital, and other social investors with an interest in funding community led property schemes.
  - The 6 local authorities of the Liverpool City Region and the Combined Authority to embed social value and community led approaches into their policies for local development and provide capacity to deliver them.

## Background

The Liverpool City Region (LCR) has a long and rich history of producing socially innovative housing and urban regeneration schemes that are community led.

Research by Power to Change shows that community-owned assets contribute £220 million to the UK economy, with 56p of every £1 they spend staying in the local economy, compared with just 40p for large private sector firms. (Harries, 2020). That's a valuable contribution but tiny in the context of the £2 trillion size of the UK economy – just 0.01% of the total.

Community led activities have the potential to make a much more significant contribution to the places in which they operate if given the chance to do so. For example, by restoring pride in place by improving the physical fabric of places, particularly where investment is weak; by strengthening community and local leadership; increasing and spreading opportunity by providing jobs and working with people furthest from the labour market; and improving quality of life by providing spaces where people can meet, mix, and form connections.

Recognising the potential for community asset ownership to generate income, build connections and deliver social impact, a group was convened in January 2022 - the LCR Community Asset Ownership Working Group - to explore options for a community owned and run entity that could hold, receive, manage, and borrow against a collectively owned and leased portfolio of land and property assets.

Learning the lessons from the establishment of Kindred LCR CIC (Kindred), a collectively and locally owned community interest company that provides money, support and learning in LCR's socially-trading economy, the Working Group commissioned this foundation research to inform the development of a business case for the community owned entity.

## Research Aims

This research has the following objectives:

1) To provide an evidence base and benchmark data on the current property (tangible fixed asset) ownership of social organisations operating within LCR. This will serve as a starting point from which the success or otherwise of any initiatives to increase the access of community groups and other social organisations to property can be measured and assessed.
2) To provide an evidence base and to tell the story of a small number of social organisations where property or asset ownership has been a key factor in the success or otherwise of the company. Case studies are used to draw out key lessons learned – what works well, what can go wrong, and what might be done differently if there is the opportunity to do things again.
3) To provide an evidence base to determine the extent to which Baltic Creative CIC has been successful in achieving its Objects of (among other things) promoting economic growth in the creative and digital (C&D) sectors and to develop the Baltic Triangle area as a national centre for the C&D sectors.

4) The case study lessons are used to produce a framework of success factors and to develop a blueprint for successful community asset ownership and development.

5) We conclude with a set of recommendations for the establishment of a LCR community asset holding company.

This deep dive into the asset ownership of social organisations will enhance existing knowledge of the social economy of the LCR and should be useful for practitioners, policymakers and other researchers interested in the social and economic value of the social economy.

Specifically:

- As a resource for the Liverpool City Region Metro Mayor, the Combined Authority, individual local authorities, and others interested in providing specific support to community led asset ownership initiatives in particular geographical locations or social outcome areas.
- For anchor institutions, particularly housing associations, and universities, as well as large charities and social enterprises looking to support smaller or less well-resourced social organisations in their efforts to secure assets for use by the community.
- For community groups seeking to cooperate with others providing similar or complementary services to deliver social impact.
- For investors and funders looking to support community groups to secure premises for their work in particular sectors, categories, or geographic locations.
- For researchers, academics and consultants interested in understanding the social economy and community asset ownership in more detail.

It is hoped that this research will help to make the economic and social value case for a greater degree of land and property ownership by community groups and social organisations. We particularly wish to contribute to the development of expertise on community asset ownership in the Liverpool City Region and beyond whether that be in the form of community asset transfers from the public sector, or investment of money, expertise or land and property by anchor institutions such as housing associations, universities, large charities and social enterprises, and private individuals or businesses.

While writing this report we have identified some gaps that we should like to have covered but which did not come within the remit of this work. These include consideration of the role of religious organisations as a source of land and property for use by community groups and social businesses, and an assessment of the experience of particular groups such as those that are black led or female led in accessing or retaining use of suitable property. We are willing to cooperate with any researchers who may wish to explore these issues further.

## Asset Ownership – The data and economic case

**Why are assets important – for communities?**

The covid-19 pandemic and the lockdowns of 2020 and 2021 emphasised the value of social infrastructure - the places and spaces in which communities meet, access services, have fun and relax. After the pandemic, the government's 'Levelling Up' agenda prompted renewed discussion about the role of community assets in promoting economic activity and community cohesion (Jarvis, 2021).

In Liverpool City Region, the city region Metro Mayor and Combined Authority published their Building Back Better strategy in June 2020 (Liverpool City Region Combined Authority, 2020) followed by their Plan for Prosperity (Liverpool City Region Combined Authority, 2022) . These highlighted the economic and social challenges facing LCR and the role of social infrastructure in supporting place-based policy and the development of an inclusive economy for the city region.

A review of the impact of covid-19 on towns by the High Streets Task Force emphasized the need to develop more civic and community spaces, and urged more support for community and voluntary organisations (Grimsey, 2021)

Metro Mayor Steve Rotheram, recognising the importance of land assets for community wealth building, established The Liverpool City Region Land Commission in September 2020. The Commissioners were challenged to "think imaginatively and come back to me with radical recommendations for how we can make the best use of publicly owned land to make this the fairest and most socially inclusive city region in the country." The Commission's report made recommendations in three "baskets":

1. A new vision, framework, and governance for land in LCR.
2. Instruments to advance socially, environmentally, and economically beneficial land use.
3. Proposals on infrastructure, measurement, and data. (Centre for Local Economic Strategies, 2021)

Both Wirral and Liverpool City Councils have introduced community asset transfer policies with commitments to working with social organisations and local people to enable communities to become more independent and financially self-sufficient. Community asset transfers can help secure the use of buildings and provide development opportunities for community and voluntary organisations. Asset transfer may mean that public assets get used more frequently and more effectively, sometimes extending the life of that facility, and may provide opportunities for communities to have more influence and control over the functions that are provided to them (Wirral Council, 2022).

At the heart of Liverpool City Council's Community Asset Transfer Policy is an explicit aim to convert the social value generated by community groups into a monetary value. This means that council buildings or land may be leased at below-market rent in return for the delivery of social outcomes. The aim is to support social economy organisations whose primary purpose in using a council asset is to offer Liverpool residents social, community or environmental benefits (Liverpool City Council, 2022)

**Why are assets important – for social economy organisations?**

For individual social organisations ownership of, or right to use, property or land assets may provide opportunities for income generation, a balance sheet against which to secure funds for growth, and financial resilience.

Social organisations use asset ownership to leverage additional charitable income, grants, and social investment. They also use revenues from profitable assets to cross-subsidise their core social purpose, which often operates at a loss (Heap H. S., 2017).

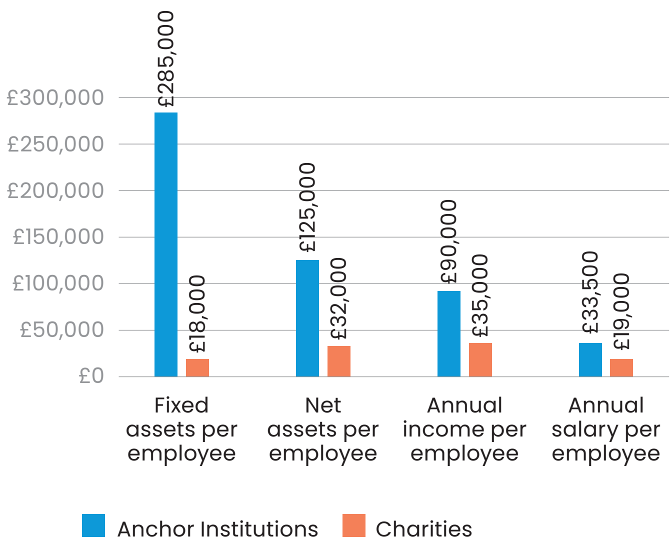
Organisations with strong balance sheets are more likely to survive economic downturns and be able to thrive when conditions are favourable. We know from previous research that acquiring assets is an important part of sustainability in the social economy in general and especially for community hubs (multi-purpose centres or buildings accessible to the residents of the local area) (Heap H. N., 2019).

When any company, including social organisations, owns tangible fixed assets – property, machinery, and equipment – it may put them in a better position to weather financial setbacks than those who do not have such assets. When organisations that do not own any tangible assets sustain a financial loss (annual expenditure greater than annual income) this will show on their balance sheet as a negative balance in the profit and loss reserve. In the absence of any other reserves this will result in an overall position of negative net worth. Lenders, investors, and customers will assess a social organisation's balance sheet to determine financial condition and creditworthiness. Organisations with negative net worth often find it difficult to secure funds from lenders and may also be excluded from bidding for contracts. Our research shows that most social organisations find it difficult to build adequate reserves - only one third of LCR community businesses in our 2019 dataset had free reserves worth more than 6 months of annual turnover (Heap H. a., 2021).

The lack of suitable assets and a strong balance sheet can be a constraint on growth as identified by two thirds of the socially trading organisations (STOs) that Kindred has engaged with.

Ownership of land and property can provide organisations with the opportunity to earn rent and income from services provided from use of the asset. This, in turn, may provide the means for asset owners to provide higher paying jobs than similar organisations that do not have income generating land or property.

*Figure 1:* **The difference asset ownership makes**




The difference asset ownership can make is illustrated in Figure 1

This shows key metrics for anchor institutions (housing co-operatives, housing associations, schools, colleges, and universities; see Appendix for notes on research methodology) and registered charities in LCR. It highlights much higher ratios of assets and income per employee for anchor institutions than for charities. While we should be cautious about assuming cause and effect from this data there is a substantial difference in the relative financial strength of these two groups and the ability to provide well-paid jobs.

**Who owns assets in the LCR social economy?**

We categorised LCR's social economy organisations in two groups:

1) **Anchor Institutions** – housing co-operatives; housing associations, schools, colleges, and universities.
2) **Third Sector Organisations** – community interest companies (CICs), charitable incorporated organisations (CIOs; the largest 40 only), companies limited by guarantee, registered charities, registered mutual societies.

The anchor institutions are included as a separate category because, while they all have a social mission embedded within their corporate governance, they are typically very much larger than third sector organisations. Including them in the dataset alongside third sector organisations would skew the numbers and make meaningful analysis difficult.

Taking our two categories of social organisation separately to start with we can see that there is a very large difference in size between them, both in terms of income and assets.

Collectively, just over one hundred anchor institutions employ almost 29,000 people, own £8 billion of fixed assets, and generate £2.6 billion of annual income. Unsurprisingly, given the nature of their business, housing associations are by far the largest holders

*Figure 2*: **Key data for LCR anchor institutions**

| Anchor Institutions | Employees | Fixed Assets | Net Assets | Annual Income | Number |
|---|---|---|---|---|---|
| Housing Co-op | 9 | £66m | £36m | £10m | 33 |
| Housing Association | 7,770 | £5,886m | £1958m | £1,018m | 22 |
| College | 3,014 | £249m | £18m | £169m | 7 |
| School | 9,042 | £720m | £537m | £495m | 57 |
| University | 8,715 | £1,173m | £997m | £903m | 3 |
| **Total** | **28,550** | **£8,094m** | **£3,546m** | **£2,595m** | **122** |

*Figure 3*: **Key data for LCR third sector organisations**

| Third Sector Organisations | Employees | Fixed Assets | Net Assets | Annual Income | Number |
|---|---|---|---|---|---|
| Community Interest Companies | 995 | £13m | £6m | £15m | 528 |
| CIOs (Largest 40) | 204 | £4m | £11m | £11m | 40 |
| Company Limited by Guarantee | 8,753 | £251m | £496m | £665m | 633 |
| Registered Charity | 19,455 | £361m | £674m | £685m | 494 |
| Registered Society | 356 | £9m | £9m | £29m | 30 |
| **Total** | **29,763** | **£638m** | **£1,196m** | **£1,405m** | **1,725** |

of assets, with universities also significant land and property owners.

A much higher number of third sector organisations – over 1700 – between them own tangible fixed assets worth around £600 million, less than one tenth of the amount owned by the anchor institutions. Income generated is around half at £1.4 billion. When it comes to employment, third sector organisations as a group employ almost 30,000 people, with the majority of those working at registered charities. So, while they are much smaller in terms of income and assets, third sector organisations are significant employers, accounting for around one in twenty of all employees in LCR (Office for National Statistics, 2023).

Putting all the data together to look at the overall LCR social economy shows how underrepresented third sector organisations are when it comes to asset ownership. Registered societies, the largest 40 CIOs and community interest companies (602 organisations) collectively account for virtually none of all land and property held (0.3%). Registered charities and companies limited by guarantee (1127 organisations) between them hold just 7% of LCR's assets despite employing the same number of people as all the anchor organisations. By contrast, the housing associations, and universities, just 25 organisations, own over 80% of all tangible fixed assets while being the employer of 28% the 60,000 or so people who work in the LCR social economy.

**Who makes best use of the assets they own?**

Having established which entities own what assets it is useful to look at how efficiently those resources are used. In business and investment, the asset turnover ratio, also known as the asset utilisation rate, measures the value of a company's annual income relative to the value of its assets (Corporate Finance Institute, 2022). In this case we are specifically looking at tangible fixed assets so the formula to calculate the asset utilisation rate is:

$$\text{Asset Utilisation Rate} = \frac{\text{Annual Income}}{\text{End of Period Tangible Fixed Assets}}$$

The asset utilisation rate can be used as an indicator of the efficiency with which an organisation is using its assets to generate revenue. A company with a high asset utilisation rate operates more efficiently compared to entities with a lower ratio.

Figure 5 shows the tangible fixed asset utilisation rates for each category of social organisation in LCR.

This clearly shows that all the third sector organisations have much higher utilisation rates than the anchor institutions. Data availability for CICs is rather limited so the asset utilisation rate for this category is calculated only for 78 companies out of 528 for which both fixed asset and income data are reported.

Comparing the ratios of companies in different industries or sectors can be difficult given variations in capital intensiveness. Because housing associations own the land and property required to provide homes for their tenants, we would expect them to have lower asset utilisation rates than most organisations, and especially those service businesses that require little or no property or equipment to generate income.

*Figure 4*: **Percentage share of tangible fixed assets owned in LCR social economy**

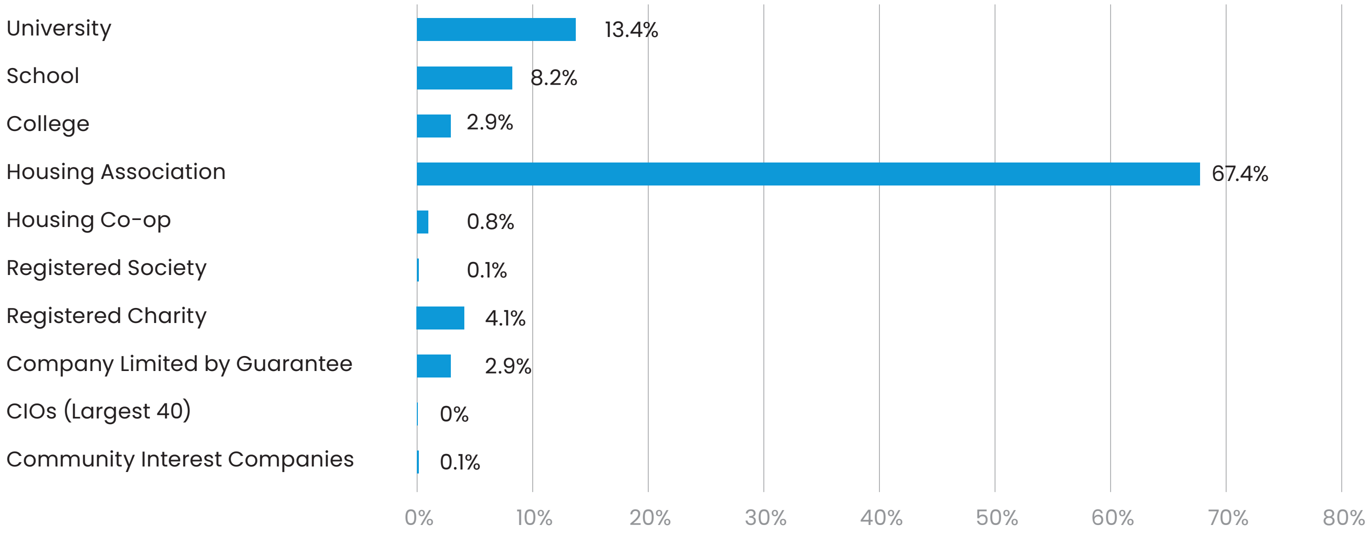
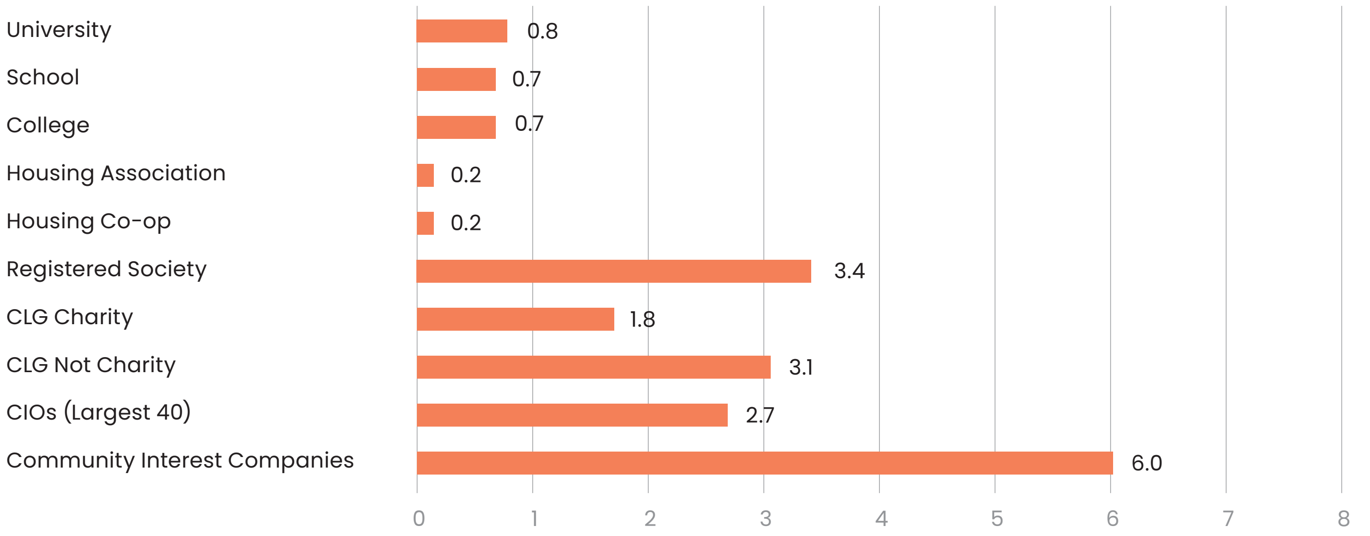



*Figure 5*: **Asset utilisation rates for LCR social economy organisations**




We acknowledge that we are not comparing like with like when we look at the asset utilisation rates of anchor institutions relative to third sector organisations. However, when considering the question of whether assets within the LCR social economy are distributed as effectively as they can be, we believe that comparing utilisation rates does provide us with some useful information.

**An economic case**

We argue that there is a strong economic case for considering a different distribution of tangible assets within LCR's social economy. Given the relative scale of who currently owns assets and the substantial differences in utilisation rates between anchor institutions and third sector organisations, we believe it is possible to both improve productivity within LCR's economy and grow social impact by ensuring that future allocations of property are directed more in favour of third sector organisations than the anchor institutions.

The productivity improvement would come about by increasing the annual income generated if assets were allocated to organisations with an asset utilisation rate of 2.2x (third sector average) rather than the anchor institution average of 0.3x - £2.20 of income per £1 of assets for third sector vs 30p for anchor institutions. We know from STO feedback to Kindred that lack of access to suitable property is a barrier to growth, so removing or at least reducing that barrier would enable those social organisations to expand their activities. At least in the case of social organisations working with Kindred, where funding and support is provided specifically to increase social impact, we can assume that any growth in income will also mean more social impact is delivered.

**An inclusive economic case**

The prospect of productivity improvements coupled with delivery of social impact fits well with LCR Metro Mayor's ambition to deliver inclusive economic growth as outlined in the Plan for Prosperity (Liverpool City

*Figure 6*: **LCR local authority asset utilisation rates**

| Borough Councils | Fixed Assets | Asset Utilisation |
|---|---|---|
| Halton | £212m | 1.9 |
| Knowsley | £305m | 1.8 |
| Liverpool | £1,320m | 1.1 |
| Sefton | £378m | 1.7 |
| St Helens | £298m | 1.6 |
| Wirral | £528m | 1.6 |
| **Total** | **£3,047m** | **1.4** |

Region Combined Authority, 2022). We also know that all the six local authorities in the region have community asset transfer policies, with Liverpool and Wirral actively seeking to promote asset transfers because of the social value benefits they are expected to bring to local communities. We believe that there is a similar economic argument that applies to local authority asset transfers as well as the social value case.

Using expenditure as the key measure of activity for local authorities rather than income (it is the cost of providing services which is the relevant indicator for determining the effectiveness of asset use for local government, not the source of funds) we can calculate asset utilisation ratios in the same way as we have for third sector and anchor institutions. All data is taken from the 2021-22 Statement of Accounts for each authority.

This shows that there would be a similar productivity improvement were there to be a shift in asset allocation in favour of third sector organisations. Helpfully, local authority financial statements even itemise those assets which are deemed to be 'surplus' – assets not being used in the delivery of services that do not qualify as being 'held for sale' under accounting guidance. Not all of these will be property. They may include IT, tools and machinery, heating systems, catering facilities, vehicles and more but they are nonetheless a useful guide to the possible value of assets that may be available for transfer.

Figure 7 provides a breakdown of the surplus assets and land and buildings held by the region's local authorities. Given the continuation of a very difficult funding environment for local government there is now, more than ever, appreciation for the need to manage council assets effectively. Sefton Council is reviewing around 200 assets per year as part of its updated asset management and disposal strategy (Liverpool Echo, 2022). With the local authority average utilisation rate of 1.4x being below that of the third sector's 2.2x there is a clear opportunity for improving the effectiveness of council owned resources through community asset transfers to the third sector.

**Balance Sheet Resilience**

In our data set we designate social organisations with positive net assets worth more than 12 months

*Figure 7*: **LCR local & Combined Authority surplus assets**

| Borough Councils & LCR Combined Authority | Surplus Assets | Land & Buildings |
|---|---|---|
| Halton | £6.6m | £202m |
| Knowsley | £38.5m | £255m |
| Liverpool | £7.9m | £1,244m |
| Sefton | £16.7m | £336m |
| St Helens | £12.8m | £273m |
| Wirral | £7.9m | £491m |
| LCR Combined Authority | £1.3m | £27m |
| **Total** | **£91.7m** | **£2,828m** |

of income as having 'strong resilience'. The strong resilience group holds an average of £1.6 million of fixed assets and 19 months' worth of income as reserves. We designate those with net assets less than 3 months of income as having 'poor resilience'. This group holds an average of £390,000 of fixed assets and they have less than 1 month of income as reserves.

Using the strong resilience/poor resilience designations we find that Anchor Institutions, Charities and CIOs are resilient. CICs as a group are not and they are the part of the LCR social economy that needs the most support to move from poor to strong resilience.

We will use CIOs as a useful proxy for a financially resilient sub-set of the social economy – average fixed assets of £154,000 per organisation and 12 months of reserves (including 7 months of free reserves (net assets minus fixed assets)). By contrast, CICs hold average fixed assets of £55,000 and less than 2 months of reserves. Within this dataset we will use CICs as a useful proxy for the socially trading organisations supported by and collaborating with Kindred. STOs are not limited to any single legal form. They may include community businesses, community land trusts, community interest companies, social enterprises, cooperatives and some mission-driven companies, family businesses and local ventures who demonstrate social purpose through their actions and behaviour. So CICs are just one subset of STO but within the wider social economy universe they are the closest category that we can find.

To improve financial resilience, we assume that the target is to get the CICs cohort up to average fixed assets of £150,000 per organisation – in line with the average for the CIOs. What does that look like?

To consider failure rates (and therefore to avoid overcounting) we have split the CIC cohort into those organisations that have survived more than 5 years since incorporation and those that are less than 5 years old. The average rate of dissolution for LCR CICs is 15% per annum (based on actual data from CH between 2020 and 2022). According to data from the CIC Regulator, the national average rate of dissolution

*Figure 8*: **Summary data for LCR CICs**

| CIC Cohort Summary All LCR CICs | All LCR CICs |
|---|---|
| Average Fixed Assets per CIC | £55,000 |
| Average Annual Income per CIC | £80,000 |
| Average Number of Employees per CIC | 5 |
| Total Fixed Assets for LCR CICs | £13m |
| Total Annual Income for CICs | £15m |
| Number of Employees | 995 |
| Total Number of LCR CICs | 528 |

is 12% (Office of the Regulator of Community Interest Companies, 2022) so the LCR has a slightly higher failure rate than the UK. Applying a 15% dissolution rate over 3 years would leave around two thirds of the original cohort surviving at the end of that period, or around 340 CICs.

To get 340 CICs from their current average fixed assets of £55,000 to the CIO average of £150,000 would require an injection of assets of £32 million (340 x {£150,000-£55,000} = £32,300,000).

**More and Better Jobs?**

We assume asset utilisation rates of 1.0x, 2.0x and 3.0x – within the range of other third sector categories in LCR, excluding CICs - to give us a low, mid, and best case. Applying these to calculate the amount of additional income that would be generated if CICs were to take on equivalent assets to give them average fixed assets per org of £150,000 would produce the amounts show in Figure 9.

We know from our dataset that registered charities, the category for which we have the most detailed data, have a ratio of wages to turnover of 55%. Applying this ratio to our additional annual income for CICs would mean additional wages payable of between £18 million and £53 million.

*Figure 9*: **Extra annual income generated from asset transfers to LCR CIC cohort**

| Assumed Asset Utilisation Rate | Additional Annual Income for LCR CICs | |
|---|---|---|
| 3.0 | £96m | **Best Case** |
| 2.0 | £64m | **Mid Case** |
| 1.0 | £32m | **Low Case** |

To calculate how many additional jobs that extra income could support we use three measures of average salary:

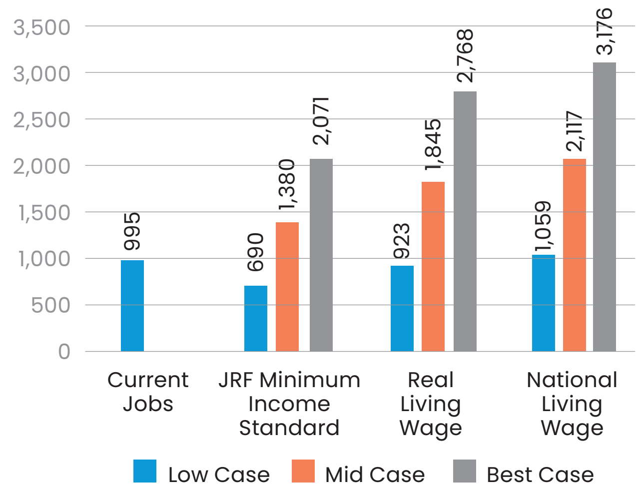
1) National Living Wage for 2022-23 of £9.50 per hour. We assume 35 hours per week for 50 weeks to give gross annual income of £16,625.
2) Real Living Wage for 2022-23 of £10.90 per hour. We assume 35 hours per week for 50 weeks to give gross annual income of £19,075.
3) the Minimum Income Standard calculated by the Joseph Rowntree Foundation- £25,500 (Joseph Rowntree Foundation, 2022)

It should be noted that all these are significantly lower than the average salary per employee of £33,500 for the LCR anchor institutions.

Figure 10 shows that additional assets allocated to LCR CICs could enable the creation of an additional 700 (low case) to 3200 (best case) jobs depending on the wage rates paid and asset utilisation rates achieved.

53% of CICs are based in postcodes which are in the most deprived parts of the region as measured by

*Figure 10*: **LCR CIC jobs now and newly created with income generated from assets**




the top two deciles of the English Indices of Multiple Deprivation 2019. It is fair to assume that the new jobs created because of additional assets deployed will similarly be distributed in the most deprived parts of LCR. The social value of jobs created in these parts of the region by companies that exist specifically to serve the communities they work within would be substantial. In many cases these may be jobs that are taken by people who were previously not engaged in the labour market or for whom there were barriers to work. The economic and social impact of 'good jobs' – those paying the Real Living Wage or above - would be especially beneficial in these most deprived parts of LCR.

**Where Could £32 Million of Assets Come From?**

We showed on pages 8 and 10 the distribution of assets across the anchor institutions and the local authorities. £32 million is a miniscule percentage of the current asset holdings of the housing associations and universities. It is around one third of the assets that have been designated as 'surplus' by local government, and 1% of the land and buildings owned by them. If we assume that other third sector organisations might also be willing to allocate some of their property holdings to smaller, faster growing entities such as CICs and STOs then the £32 million is around 5% of the fixed assets held

*Figure 11*: **LCR CICs percentage distribution by indices of multiple deprivation 2019**

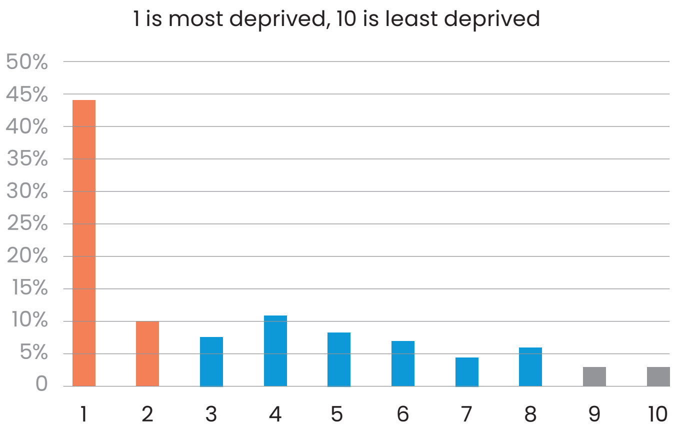



*Figure 12*: **Where could £32m of assets come from?**

| **Anchor Institutions** | **Fixed Assets** | **£32m %** |
|---|---|---|
| Housing Associations | £5,886m | 0.5% |
| Universities | £1,173m | 2.7% |
| **Total** | **£7,059m** | **0.5%** |
| **Third Sector** | **Fixed Assets** | |
| Companies Limited by Guarantee | £251m | 12.7% |
| Registered Charities | £361m | 8.9% |
| **Total** | **£612m** | **5.2%** |

by the registered charities and companies limited by guarantee.

**Conclusion From Research Findings**

Our data has shown that LCR's third sector is a significant employer in the region, accounting for around 5% of all LCR's jobs and half of those in the social economy. Those are meaningful numbers, but we believe that the third sector has much more to offer the city region. It can contribute directly to the Metro Mayor's vision for a Fairer, Stronger, Cleaner Liverpool City Region with a relatively small reallocation or transfer of assets. Our research has shown that the ability to offer good jobs appears to be related to the strength of balance sheet and the extent of fixed asset ownership. And yet we also find that those organisations that have the most in terms of property and other long-term assets appear to have the lowest asset utilisation rates, a measure of resource efficiency.

We contend that a relatively small (in the context of LCR's overall social economy and local authority holdings) addition to the asset base of the smallest and more entrepreneurial third sector organisations would lead to more financially sustainable companies and enable them to realise their growth potential – growth of income, employment, and social impact. Kindred's work with STOs has highlighted the lack of suitable property as the most common and intractable barrier to growth for them, but our analysis of the data shows that the scale of the problem is eminently solvable from within the existing resources of LCR's social economy and its local government resources. With a bit of imaginative thinking and a will to succeed, finding ways to reallocate a small portion of the region's assets would bring significant benefits to LCR's communities, social organisations, and the wider economy.

We encourage those in charge of housing associations, universities, larger third sector organisations, borough councils and the Combined Authority to join us in finding ways to tackle this issue.

# Case Study 1 The Eldonians

## Organisation Overview

The Eldonian Community Based Housing Association Limited (ECBHA) was incorporated as a housing co-operative in 1985 by tenants from Eldon Street and Burlington Street in the Vauxhall area of north Liverpool. In response to a decision by Liverpool City Council to demolish tenement blocks in the area, a meeting called by the planners was attended by 250 residents who clearly resisted the prospect of their community being displaced but did want to see improvement in the quality of their housing.

The vision for ECBHA was for the establishment of a community development trust aimed at wholesale neighbourhood regeneration and community ownership of multiple assets. (Thompson, The Eldonians, 2020) A strong leadership group, headed by Tony McGann, involved residents in the design of their new homes and organised the community's response to the devastating closures of the Tate & Lyle sugar refinery and the British American Tobacco plant which led to the loss of over 3000 local jobs in the early 1980s. The combination of the community's need for new affordable housing, and the huge derelict site left vacant by Tate & Lyle put the Eldonians on the road to totally re-developing the area. (Eldonian Community Based Housing Association, 2023)

Over a period of several years starting in 1982, the Eldonian leadership group developed key relationships and built alliances both locally and nationally, succeeded in acquiring and remediating the Tate & Lyle site, and rehousing 145 families in newly built homes. The total cost of the first phase of the Eldonian Village was £6.6 million, funded entirely by government grants. Phase two was completed in 1994 and resulted in 150 more homes and the decontamination of the section of the Leeds-Liverpool canal that runs through the site. ECBHA went on to build and manage 469 homes with freehold housing shown at cost of £22 million on the balance sheet in March 2022. This figure includes a land value of £3 million. Total funding for the schemes was provided by £16.2 million of Government Grant and secured loans of £1.6 million from Orchardbrook Limited and The Co-operative Bank. (Eldonian Community Based Housing Association Limited, 2023)

From the outset, the Eldonians realised that there was much more to regenerating a local area than providing new houses. Alongside ECBHA, Eldonian Community Trust Limited (ECTL) was incorporated in 1987. ECTL was established as a company limited by guarantee and registered charity to provide services and support to the Eldonian residents as a way of them becoming a self-regenerating community. ECTL's original charitable objects were:

a. "To advance education and to provide facilities in the interests of social welfare for recreation and leisure-time occupation with the object of improving conditions of life.
b. To establish or secure the establishment of a community centre."

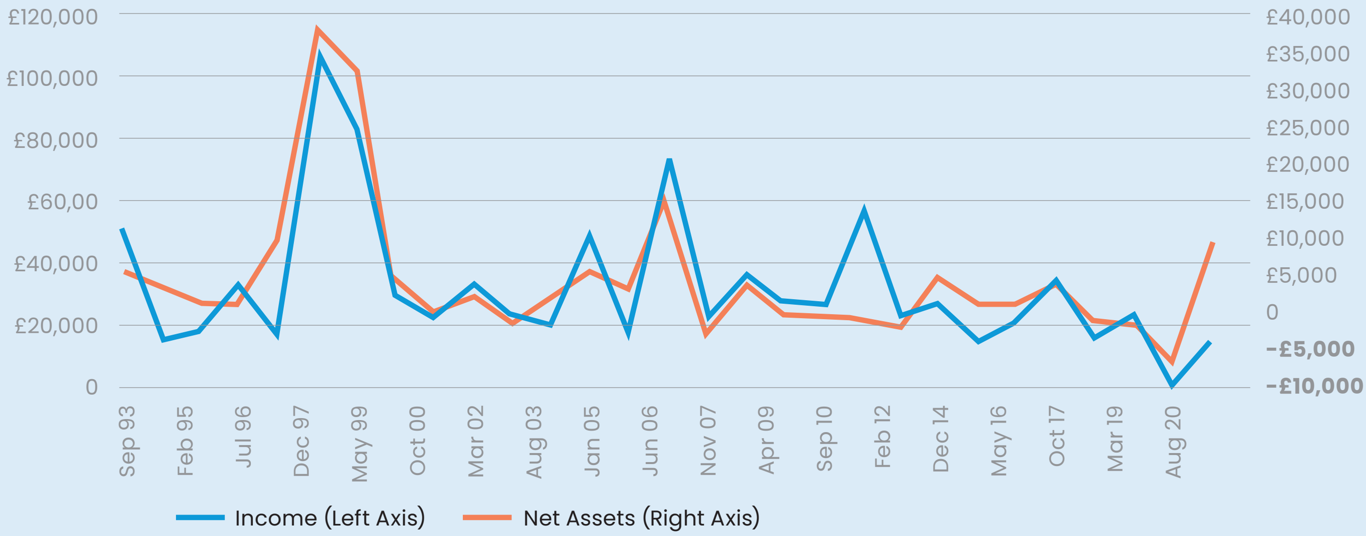
A separate entity Eldonian Development Trust Limited (EDTL), was established in 1988 as a company limited by guarantee to promote the creation of new enterprises for the provision of goods and services and to provide employment opportunities for the community. EDTL was to be a community-based social enterprise which served as the business arm of the Eldonians providing services and on-site facilities such as the Tony McGann Centre, village hall, sports centre, day nursery, extra-care facility, residential care home and several community enterprises. (Thompson, The Eldonians, 2020)

The original Committee of Management of ECBHA comprised Tony McGann as Chair and ten other residents of the Eldonian Village. The Board of Trustees of ECTL also included Tony McGann and several Eldonian residents. Directors of EDTL included seven Eldonian residents (some of whom were also members of the board of ECTL, including Tony McGann again) as well as four local businessmen. When established, EDTL was a subsidiary of and directly controlled by ECTL as ECTL was solely responsible for the composition of EDTL's board of directors. This changed in August 2002 when EDTL, then renamed as Eldonian Group Limited (EGL), adopted a new Memorandum and Articles of Association which amended the objects of the company to include the acquisition or development of land. The revised rules also stated that decisions over composition of EGL's board were no longer controlled by ECTL - EGL's members were now free to select their own directors.

In financial terms, the various Eldonian entities reached peak performance at different times:

- The registered charity, Eldonian Community Trust Limited, recorded income of £111,000 and net assets of £38,000 in the year ending Sept 1998. Figure 13 shows the financial history of ECTL from 1993.
- Eldonian Group (the entity that started out as Eldonian Development Trust Limited) had its best year in asset value terms in 2007. Net assets that year were recorded as £3.2 million, comprised of

*Figure 13*: **Eldonian Community Trust financials 1993 to 2021**




Profit and Loss Reserve of £215,000 and Revaluation Reserve of £2.9 million. In income terms, its peak was £1.7 million in the year ending March 2011, but by then a long downward trend in net asset value had started – net assets were £1.25 million that year.

- The housing association, ECBHA, has been the steadiest performer, consistently recording surpluses in most years. Annual income generated from rent and management services on 469 units had reached £2 million by March 2022, with the Income and Expenditure Reserve (surpluses accumulated) at almost £7 million.

The original success of the Eldonian Village was marked in 2004 when it won the UN-World Habitat Award. These awards recognised and highlighted innovative, outstanding, and sometimes revolutionary housing ideas, projects, and programmes from across the world. Here is what World Habitat said about the Eldonians then:

*"Faced with the threat of their community being broken up and the people being forced to move from their homes in inner-city Liverpool, local people came together in 1978 to keep their community alive and improve the bad housing conditions in the area which they lived. Through tenacity, commitment, and much hard work they provided good quality and affordable rental homes, as well as improving the commercial, physical, and economic prospects in the area. Twenty-five years later 400 rented houses have been provided, 250 permanent jobs have been provided in business enterprises, $45 million of assets have been created and $180 million of inward investment attracted. A range of local older persons' and recreation facilities have been provided and these are all owned and managed by the local community. Derelict and polluted land has been restored to form an attractive and secure living environment and the community now provides support and advice to other communities worldwide wishing to improve their housing conditions and have a greater say in their future."* (World Habitat, 2004)

And these are the key indicators of positive impact that they identified:

- *"The local community is still together rather than scattered across the city.*
- *£50 million of assets have been developed, £100 million private investment attracted, 8 community businesses and 250 permanent jobs have been created.*
- *The quality of the properties, the physical environment and the absence of a repair backlog is much better than that of other social rented property in the city. Of 1,402 repairs reported in 2002, only three were not completed on time.*
- *ECBHA properties are re-let within 10 days and there is a 5-year waiting list for properties in the Village.*
- *97 per cent of residents are satisfied with their housing and 93 per cent are satisfied with the area they live in. 96 per cent are satisfied with the repairs service and 90 per cent consider their properties good value for money. 96 per cent of residents consider themselves well informed and involved in decision making and 87 per cent are satisfied with their opportunity to participate in decision making.*
- *150 trainees have been given new skills and 1,800 adult community members have been engaged and empowered by the community development process.*
- *The Eldonian Village had 65 crime incidents per 1000 population in 2002 as opposed to 140 such incidents per 1000 population in neighbouring areas.*
- *People's perception of their health is higher in the Eldonian Village than in the neighbouring area (86 per cent consider themselves to be in good or fairly good health compared to 77 per cent in the neighbouring area). The figure for the whole of Liverpool is 86 per cent."* (World Habitat, 2004)

Had things with the Eldonians continued as found by World Habitat in 2004 then all would be well. Unfortunately, that was not to be:

- Recent press coverage has highlighted how assets originally built, run, and owned by the Eldonians have been sold to offshore companies. (The Post, 2023)
- The Regulator of Social Housing issued a Regulatory Notice on ECBHA in July 2021 saying that "it lacks assurance and evidence that Eldonian CBHA is compliant with the governance element of the Governance and Financial Viability Standard". (The Regulator of Social Housing, 2021)
- The Charity Commission is reported to have opened an investigation in November 2022 investigating the running of The Eldonian Village through the Eldonian Community Trust. (The Sunday Times, 2023)
- EDTL, after undergoing two name changes – Eldonian Group Limited, L3 Group Ltd – went into liquidation in November 2017 with the last published accounts showing a negative net asset value of £823,270. The liquidation process has proved to be complex and is still ongoing as of April 2023. (Companies House, 2023)

## What went wrong with the Eldonians?

The original ethos of the Eldonian Village was that of a self-regenerating community. This was encapsulated in the Eldonian motto "we do it better together" – a tight knit community providing their own housing, nursery, leisure facilities, elder care services and employment opportunities. All of it run for the benefit of the community, not for profit.

From the outset, the governance arrangements of the various entities reflected this ethos with the boards of the housing association (ECBHA) and the charity (ECTL) initially comprised almost entirely of residents of the Eldonian Village. The social enterprise (EDTL, subsequently renamed Eldonian Group Limited, EGL) had a slightly different governance arrangement with a combination of Eldonian residents and representatives from the local business community, the residents having a majority of board seats and selection of directors being controlled by ECTL.

Until 2002, EGL was treated as a subsidiary of ECTL in the statutory financial statements of both entities because ECTL controlled the composition of the board of directors of EGL. Following the adoption in August 2002 of the new Memorandum and Articles of Association for EGL the composition of its board of directors was no longer controlled by ECTL but was determined by its own members. This removed the formal governance oversight of EGL by ECTL and meant that EGL was no longer a subsidiary of the charity. This may seem like a very technical matter, but it meant that the entity which owned and ran all the non-housing assets in the Eldonian Village, and employed most of the staff, could now appoint directors without the approval of the charity.

The 2002 change in Memorandum and Articles of Association for EGL also changed the objects of the Company to include "the acquisition, development or procuring the development of land", in addition to the original objects of creating, supporting, and advising new enterprises, small businesses and other local businesses for the benefit of the local community, especially in the Vauxhall area of Liverpool. The impact of this change can clearly be seen in the financial statements of EGL.

The Directors' Report in the Annual Report and Accounts for EGL for the years ending March 1995 to March 2005 included this statement of the principal activities of the business:

*"The company was established by the community in the Vauxhall area of Liverpool to provide a vehicle to enable them to contribute towards the physical and economic regeneration of this inner-city area. The mission statement of the Group is "Working in partnership, to create a sustainable neighbourhood in Vauxhall and to contribute towards city wide regeneration, through the development of initiatives which generate enterprise, employment and wealth."*

In the accounts for the year ending March 2006, three years after the change in Memorandum and Articles of Association, that statement no longer appeared. In its place was a statement of the objectives and activities of the company which included this:

*"to promote for the benefit of the community regeneration and development by the provision of any goods or services including the acquisition, development or procuring the development of land.*

*The objects of the company shall not be exclusively charitable."*

Figure 14 shows how EGL's asset base and bank borrowings changed from 2002 (details on bank borrowings not available for 2014 and 2015). From a relatively stable position of total fixed assets worth around £1 million in 2002 to 2006 the total increased to almost £3.5 million in 2007. £350,000 of the increase in that year was due to the acquisition of freehold land which came following the dissolution of a partnership between EGL and pools company Littlewoods, with EGL taking on sole ownership of the Eldon Woods day nursery. £2.4 million of the increase in 2007 was the result of a revaluation of land and buildings conducted on an open market existing use basis by a firm of chartered surveyors.

2007 also started an increase in bank borrowings at EGL and with-it mortgage charges on land including the nursery.

Unfortunately, the changes in the business model for EGL did not improve the sustainability of its finances. After a relatively stable period which saw modest surpluses or deficits in the period up to 2007, the following decade saw much greater volatility – a £456,000 surplus in 2010, four years where deficits were over £300,000. In total EGL posted an overall deficit of £1.1 million in the decade up to the company's closure in 2017. Figure 15 shows the impact of this on EGL's profit and loss reserve – the cumulative record on the

*Figure 14* **Eldonian Group fixed assets and debt**

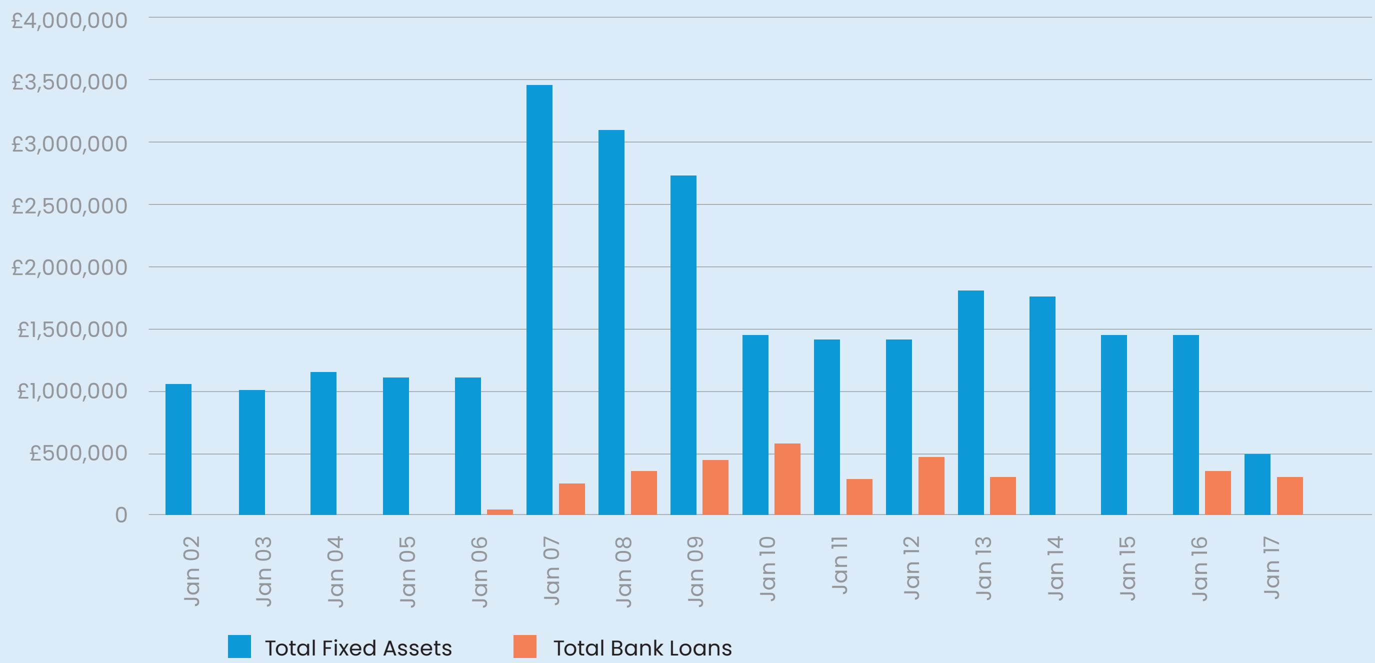
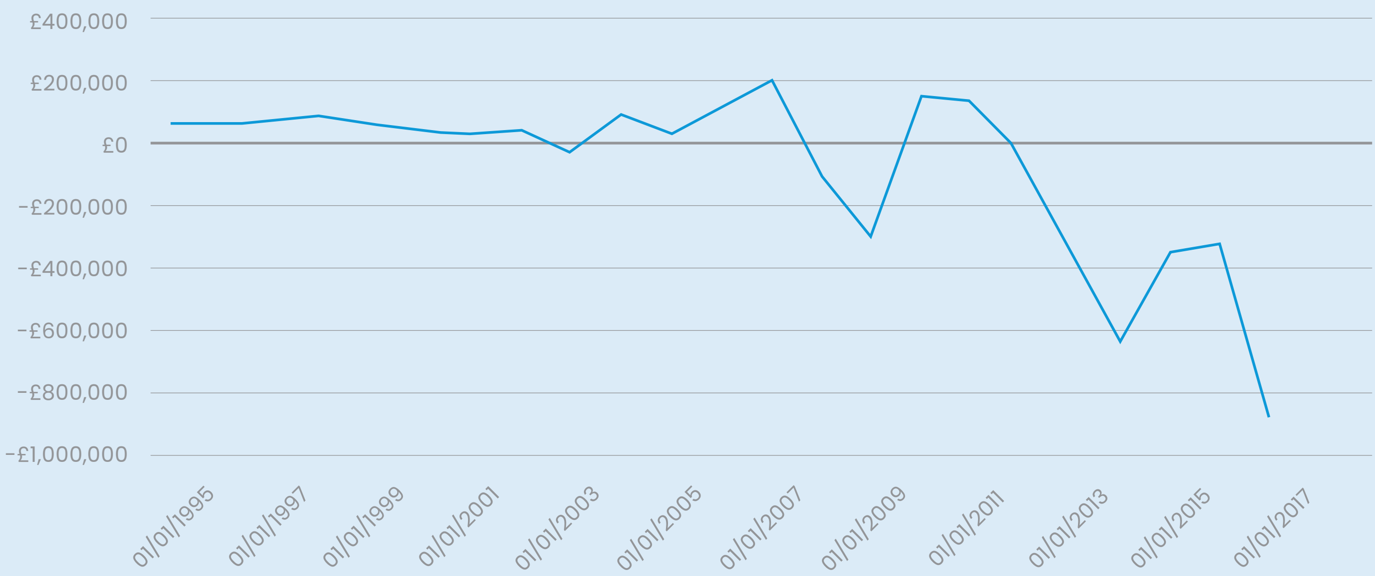



*Figure 15* **Eldonian Group Limited profit and loss reserve**




company balance sheet of all surpluses and deficits recorded since incorporation.

EGL also experienced the resignation of two firms of auditors in rapid succession – PKF (who had audited the accounts for much of the period since the company was formed) in April 2013 and BDO in March 2015. In both cases the auditors provided a statement that there were no circumstances that needed to be brought to the atttention of the members of the company. Auditors may choose to resign for many reasons and there was no indication of anything untoward in the notices provided in this case. However, two auditor resignations within two financial years is not a good sign.

On 19 December 2019 all eight directors of EGL who were serving at the time resigned. The next day, an individual that had no previous direct involvement with the Eldonians (he was a director of a construction firm that had built some properties within the Eldonian Village) was appointed sole director of EGL. More appointments to EGL's board of people from outside the Eldonian community followed in 2014.

These changes in board composition at EGL saw the company take a new direction again with an application to the Financial Conduct Authority for a consumer credit licence. This was finally refused in June 2015 after EGL "failed to provide the information required by the FCA and satisfy the threshold conditions relating to location of offices, effective supervision, appropriate resources, suitability and business model." (Financial Conduct Authority, 2015)

Companies House records show that several charges over property held by EGL were made and satisfied during 2017, indicating that multiple transactions involving assets owned by the company were happening.

Three more directors were appointed to EGL's board in 2017, one of them the son of Tony McGann, the Eldonians' leader, and founder member.

A final indication that all was not well at EGL came with the passing of a written resolution, on 14th August 2017, signed by Tony McGann and a director of Eldonian Community Trust Limited. This stated:

(1) *ORDINARY RESOLUTION "THAT the past actions (or omissions) of the directors of the Company prior to the date of the passing of this resolution, including any action or step taken (or the omission made of any action or step) with respect to any agreement, deed or document or arrangement or transaction whatsoever relating to the affairs of the Company, which was or may have been undertaken inadvertently or unwittingly contravention of the Company's Articles of Association (the Articles) or otherwise under the Companies Acts or common law in consequence of the board of directors of the Company at the time having been inquorate are hereby deemed valid, binding, approved, confirmed and/or ratified for all purposes, SAVE AND EXCEPT nothing in the foregoing shall have the effect of ratifying any actions (or omissions) of any individual acting in his or her capacity as a director whilst in office that would or might amount to a claim for fraud, gross negligence or wilful misconduct on his or her part (including matters on which a claim has been made or could be made at the date of the passing of this resolution, or the taking of such action, or the making of an omission, that would or might have resulted or will result in the individual being dismissed from office as a director in accordance with the Articles or otherwise)."*

(2) *ORDINARY RESOLUTION "THAT, in accordance with and pursuant to Article 3.2 of the Articles, the minimum number of Directors shall be one and, in accordance with and pursuant to Article 4.3 of the Articles, the quorum for the transaction of business at a meeting of Directors shall be one until such time as the Members in general meeting may resolve otherwise; and the Articles shall be read and construed accordingly subject to this resolution, and a copy of which shall be med with the Registrar of Companies at Companies House." Signed by members of the Company.*

EGL made a final name change to L3 Group Ltd in October 2017. The company appointed a voluntary liquidator in November 2017. As noted earlier, the liquidation process is still ongoing, so the story of the organisation originally called Eldonian Development Trust is not yet over.

One of the 2014 EGL directors registered a new company with the same name (different company number 11005773) – L3 Group – on 9th October 2017. This was a company limited by shares with Howard Gwynn as the sole shareholder. Just a week later the company's name was changed to Eldonian Group Limited. It doesn't appear that this company ever traded – no accounts were filed – and it was dissolved on 26th March 2019.

Elsewhere in the Eldonian group, ECTL has received two separate notices for compulsory strike off since August 2021, both since discontinued. Accounts for the years ending September 2019, 2020 and 2021 were filed late. This is presumably the reason for the compulsory strike-off action.

Several board changes were made at ECTL in November 2021. Three Eldonian residents, two of whom had served on ECTL's board since the company's formation, saw their appointment as board members terminated. Five new board members were appointed on the same day, including Jack McGann, son of Tony.

2021 was an eventful year for the housing association, ECBHA. All directors who had been serving on the board in March 2021, except for the Chair, Tony McGann, resigned in April 2021. A new chair was appointed in April 2021, along with four other new directors. A complete amendment to the Association's rules in October 2021, based on the National Housing Federation Model Rules 2015, increased borrowing powers from £10 million to £1000 million.

The Regulator of Social Housing issued a Regulatory Notice on ECBHA in July 2021:

*"The regulator has concluded that it lacks assurance and evidence that Eldonian CBHA is compliant with the governance element of the Governance and Financial Viability Standard. In April 2021 the regulator received a copy of an independent report on the governance of Eldonian CBHA dated October 2020. This report concluded that the Management Committee did not understand its responsibilities, was not meeting the regulatory standards, and lacked capacity to address the issues. Around the same time, the regulator received information which indicated that there was no executive team in the organisation following the recent retirement of the Chief Executive and Finance Director, and that all but one of the Management Committee members had also recently resigned. Through our investigations and information obtained, including our engagement with Eldonian CBHA, we have identified a serious breakdown in the governance, operations, and control framework of the provider at the most basic level, which impacts upon the provider's ability to operate effectively and within vires, potentially putting tenants and social housing at risk. Eldonian CBHA subsequently took*

*steps to appoint a number of non-tenant members to the Management Committee, contrary to its constitution. As a result of these failures, we have concluded that Eldonian CBHA has failed to ensure that its governance arrangements are effective or meet the required outcomes of Governance as set out in the Governance and Financial Viability Standard. There are significant weaknesses in the leadership of the organisation both at executive level and within the Management Committee. The executive positions are now being covered by interim officers, and recent attempts to add new independent members to the Management Committee were in breach of the organisation's rules. We therefore lack assurance that Eldonian CBHA is managing its affairs with an appropriate degree of skill, independence, diligence, effectiveness, prudence, and foresight. We also lack assurance that Eldonian CBHA is adequately managing its financial resources and any potential conflicts of interest."* (Regulator of Social Housing, 2021)

Following the issuance of the Regulatory Notice, the Regulator of Social Housing made three statutory appointments to the board of ECBHA in October 2021 to ensure that ECBHA has the capacity and capability it needs to resolve the governance failures. All the regulator appointees had left the board by April 2022 either via resignation or completion of their term of office. ECBHA's Financial Statements for the year ending March 2022 contains several statements noting that the Association's internal control framework is ineffective and requires substantial improvement and acknowledging important gaps in compliance with the National Housing Federation's Code of Governance. A new CEO was appointed in June 2022, and three experienced Statutory appointees with expertise in risk management and assurance were appointed to the board in May 2022.

## The Eldonians - Conclusions

Led by Tony McGann, the Eldonians mobilised themselves to acquire and clear the land needed, involved prospective residents in the design and planning of their homes, and established corporate structures– the housing association, charity, and social enterprise – to meet the housing and wider social needs of the community. This appeared to work well for the first two decades or so of their existence.

Key factors in this initial success of The Eldonians were:

1) **People**

a. The involvement and commitment of key individuals from the community in fighting for and communicating their housing needs. This included participation in large-scale meetings – 150 or more people – as well as smaller groups.

b. A strong leadership group which was able to develop and maintain useful connections both locally and nationally. These included local authority officers, councillors, church leaders, members of Liverpool's business community, experts in co-op development, architects, and other housing professionals, plus Government ministers and academics.

c. By drawing on the extensive networks they had developed the Eldonians managed to access a good range of knowledge, skills, and experience to achieve their initial aims.

2) **Property**

a. All the properties owned and managed by the Eldonians, at least in the early years, were designed by them specifically to meet the housing and wider social needs of their community. They were fit for purpose from the outset.

b. The number of units and facilities provided were able to generate sufficient rental income to sustain the housing association and appropriate scale to provide other services to residents from the social enterprise.

3) **Money – right money at the right time on the right terms**

a. Grant funding to acquire and clear the land ready for house building, including. £2.1m of Derelict Land Grant from central Government.

b. Grant funding from the Housing Corporation to build the homes.

c. Loans available at affordable terms.

4) **Governance**

a. Each entity had its own board with a majority of members from Eldonian residents.

b. The charity initially had the right to appoint the board of the social enterprise thus ensuring alignment of mission and objects.

c. Objects were initially defined tightly to ensure that the development of the Eldonian community was front and centre.

Key factors in what went wrong at the Eldonians were:

1) **People**

a. Over dependence on one key individual – Tony McGann

b. Did the resident members of the various boards have the knowledge, skills and experience needed to provide appropriate oversight of the Eldonian entities and protect the resident-led governance model?

c. Once the Village was built, did the Eldonian boards continue to maintain and develop their networks and access a range of knowledge, skills, and experience to achieve their ongoing aim?

2) **Money – right money at the right time on the right terms**

a. Did the social enterprise access appropriate funding on the right terms?

3) **Governance**

a. The decision to remove ECTL's right to appoint board members of EDTL/EGL seemed to be the key factor which led EDTL/EGL to move away from its original objects. The change in business model led to an increase in volatility in financial performance and, ultimately, unsustainable losses which led to the liquidation of the company.

b. The emergence of non-Eldonian residents on the boards, first of EGL, then ECTL, and finally ECBHA appears to have led to significant lapses in governance and compliance oversight. These were sufficiently serious to require regulatory intervention.

c. Press reports suggest that much of the property originally owned by the Eldonians has been sold outside of the group and community, contrary to the founding principles.

## The Eldonians - Lessons Learned

1) Good governance can't be taken for granted. Even if things are originally set up in a robust way, asset locks can be overcome if company boards are not sufficiently aware or skilled to prevent outside interests from taking control.

2) Community involvement is a positive in many respects but to be effective individuals and boards need to be supported to gain the skills they need to fulfil their obligations and legal requirements.

3) Over-reliance on one or more key individuals can lead to concentrations of power or insufficient challenge which may then result in mission drift or worse.

The commercialization of organisations that are community led and purpose-driven is risky and needs to be handled carefully to prevent governance structures that are designed to protect the vision and mission from being overridden.

# Case Study 2 South Sefton Development Trust (trading as Regenerus)

## Organisation Overview

The South Sefton Development Trust (SSDT) was established in 2004 as the successor body to the South Sefton Single Regeneration Budget Partnership (SSP). It is a company limited by guarantee and registered charity. The fundamental objectives of the SSDT were to continue elements of the social and economic regeneration of the South Sefton area.

To provide a long-term means of support for SSDT, the SSP, in conjunction with Sefton Metropolitan Borough Council (SMBC), agreed to construct the South Sefton Investment Centre (SSIC) on the site of an existing Council building in Bootle Town Centre. The £6.5 million funding for the construction of the building came from the European Objective 1 programme, SMBC and the North West Development Agency.

The five-storey SSIC offers 32,000 sq ft of flexible Grade A office accommodation, as well as mixed-use areas and a cafe on the ground floor. There is parking for 52 vehicles. The building features a transparent facade and a colonnaded walkway and incorporates a range of innovative 'green' features. It is heated by geothermal energy; a natural ventilation system has removed the need for air conditioning and recycled rainwater is used in the toilets.

The SSIC is owned by SMBC and was leased to SSDT on the understanding that SSDT would take over the lease on the building and undertake ongoing management. The rental income generated by this operation would then be reinvested in services for the benefit of the South Sefton area. (South Sefton Development Trust, 2008)

The original business plan for the SSIC assumed there would be sufficient income to cover basic running costs, including core staff. Any surplus above this would enable a broader variety of options to be considered.

A team of five staff was seconded from SMBC for a fixed term (August 2008 to March 2011) to provide the SSDT with the capacity to undertake its initial commitments. The roles were: Neighbourhood Services Manager; Social Enterprise Development Worker; Administrative Officer; SSDT Project Development Worker; Finance Administrative Officer.  Once the secondment period ended the number of employees was reduced to three.

From the outset, SSDT and SMBC agreed to work together as partners to achieve economic, social, and environmental regeneration in Sefton. SSDT was to assist the development and growth of social enterprises within Sefton, and work with Sefton business support services, and other relevant support services to this end. It was also tasked, where possible, with developing and providing 'incubator' accommodation for small to medium sized enterprises (SMEs) and services to assist start-up and growth of social enterprises in Sefton.

In 2008 SMBC and SSDT agreed on a 150-year lease for the SSIC. It was agreed that SSDT would be responsible for maintaining and operating the building as well as managing the tenants. Recognising their limited experience in building management, SSDT initially engaged professional managing agents to take on both the letting and building management functions.

Tenants of the SSIC include a NHS dental practice, disability charity People First, Periscope Productions CIC, and adult education provider Antrec. Financial statements for SSDT for the year ending March 2022 show that the Investment Centre was valued at £1.85 million.

Trading as Regenerus, SSDT works across South Sefton with a particular focus on the communities in Linacre and Derby wards which are ranked amongst the 10% most deprived neighbourhoods in the country. Regenerus has managed and delivered several grant funded programmes including support for local arts and heritage projects, provision of pre-employment and skills training, social enterprise training, delivering the LCR Community Environment Fund, and managing SMBC's Environmental Improvements Fund.

**Summary of SSDT Finances**

Total income in the year to 31 March 2022 was £371,000, comprising £123,000 of grant and donations, £243,000 rent and service charges from the Investment Centre, and £5,000 of other trading income. The Charity has no debt and has net assets worth £2 million – the value of the Investment Centre plus unrestricted reserves of £154,000.

The Investment Centre has generated a minimum of £200,000 of income each year since becoming fully operational in 2010. Building management costs have been steadily rising but prior to the covid-19 pandemic the facility generated sufficient surplus to cover all core staff costs for the Charity. Since 2015 SSDT has earned a total of £2 million in rent and £1.5 million in grants and donations. Total building costs over that period were £1.2 million and staff salaries £800,000. Total surplus earned in those eight years was £31,000.

## South Sefton Development Trust - Conclusions

The construction of a brand new, high-quality mixed-use facility paid for by SMBC provided SSDT with an income generating asset which meets the cost of operating and maintaining the building and provides premises from which to deliver a range of grant funded programmes. The Charity has a debt-free balance sheet with the main asset being the lease on the Investment Centre, which has been included in SSDT's accounts since 2015.

While the intention was for the Investment Centre to generate surpluses which would be reinvested in activities to benefit the community, the reality for SSDT has been that once staff costs have been paid a surplus was generated in only three out of eight years.

The covid-19 pandemic and lockdown periods from March 2020 were especially difficult. The Investment Centre was closed except for essential services during lockdowns and tenants were granted a rent-free period in the first quarter of the 2020-21 financial year. SSDT reports losing three tenants over the two years following the pandemic as many organisations shifted towards hybrid working arrangements. As a result, rent and service charge income in March 2021 and 2022 were respectively 29% and 17% below the levels achieved in 2020 and 2019. Meanwhile, total building management costs were 12% and 27% higher.

If rent and service charge incomes can once again reach pre-pandemic levels then SSDT may be able to generate modest surpluses, but the rising trend in premises costs will likely mean these will be small. Recent increases in energy costs will not be helpful in this regard.

Key factors in the SSDT story are:

1) **People**

a. The secondment of staff from SMBC in the early years of the project kept SSDT's staff costs low and provided capacity to set up the organisation and establish an effective operating model.

b. The use of a firm of professional managing agents once the building was open ensured high occupancy rates and rental income from the start.

2) **Property**

a. The Investment Centre is a high-quality building that was built specifically to be a key element in the revitalization of Bootle Town Centre.

b. When fully let the Investment Centre generated income of over £300K and generated modest overall surpluses for SSDT.

c. This suggests that the property was fit for purpose and of an appropriate size to meet the organisation's needs, at least for the first years of its life. Whether this remains the case given changes in working patterns and accommodation needs post the pandemic remains to be seen.

3) **Money – right money at the right time on the right terms**

a. All the costs of constructing the Investment Centre were met by SMBC with no contribution required from SSDT.

b. The grant of a 150-year lease with a peppercorn rent from SMBC provides SSDT with an income generating asset and a strong balance sheet.

4) **Governance**

a. SSDT is a company limited by guarantee and registered charity.

b. When incorporated in 2004 the Memorandum and Articles of Association required that there be 6 Board Directors:

i. 1 Strategic Partner Director – an individual involved in a statutory or voluntary sector service provider (not including SMBC) operating in the Area of Benefit.

ii. 2 Business Directors

iii. 2 Community Directors

iv. 1 Council Director – a Councillor who represents a ward in the Area of Benefit.

c. Revisions to the Memorandum and Articles of Association in 2021 removed the need for designated types of Directors. The Board must now comprise a minimum of 6 and no more than 9 Directors.

## South Sefton Development Trust – Lessons Learned

Having a specifically designed building constructed and funded by a third party provides a very good chance of maximizing income from the start. The building project was managed through SMBC and was handed over to SSDT as a completed project ready to accept tenants.

The granting of a long lease (150 years in this case) and peppercorn rent ensures security of tenure and provides a strong balance sheet for SSDT.

The secondment of 5 members of staff from SMBC in the early years of SSDT's operation provided essential capacity and skills from the outset without the need to undertake recruitment activities and at a cost that the organisation could manage. This enabled SSDT to deliver a range of programmes, all resourced from external funding, which generated surpluses for the organisation prior to the Investment Centre becoming fully operational.

The use of a professional managing agent in the first years of operation of the Investment Centre provided skills and capacity to maximise income at an early stage. Occupancy rates rose from zero to 66% when the agent was appointed to 90% within 3 years and 100% the following year. This was probably a much faster pace than would have been achieved without professional expertise, especially given the economic conditions prevailing at the time – the building was handed to SSDT in December 2008, during the post-financial crash recession.

The initial governance arrangements with specific requirements on the composition of the Board of Directors, while ensuring a good mix of representation from key stakeholders, were presumably too restrictive in practice, hence the revision to the Memorandum and Articles of Association in 2021.

# Case Study 3 The Foundry, The Social Justice and Human Rights Centre Company Ltd

## Organisation Overview

The Foundry is a specially converted building in South London that provides offices, meeting and exhibition spaces for social justice and human rights organisations. It was established by the Social Justice and Human Rights Centre Company Limited (SJHRC). The building opened its doors to its first tenants in Autumn 2014 (The Foundry A Place for Change, 2023)

The SJHRC was established in May 2011 by the Trust for London, Joseph Rowntree Charitable Trust, The Barrow Cadbury Trust, Lankelly Chase Foundation, and the Ethical Property Company. This followed an extensive piece of market research with social justice and human rights organisations to identify the need for the scheme and to develop a building brief. Working together, the SJHRC Board identified four key objectives that they considered critical to The Foundry achieving its broad aims:

- To enable organisations to achieve more impact and raise awareness of human rights and social justice issues.
- To offer an excellent quality ethically managed space.
- To help support the regeneration of the local community.
- To offer a sustainable return to investors. (The Foundry A Place for Change, 2023)

In turn, The Foundry was designed to encourage like-minded organisations to work with and support one another, through the sharing of resources and skills, as well as space. These benefits form part of The Foundry's wider social and environmental returns which include:

- Bringing together some of London's most innovative and progressive social justice and human rights organisations in affordable premises.
- Encouraging building users to share ideas, work together, enhance their public profile and improve their ability to engage with and educate the public on social justice and human rights issues.
- Ensuring the building is developed and managed to a high environmental standard (BREEAM: very good).
- Using renewable energy sources/providers where possible.
- Promoting human rights and social justice issues through the delivery of a programme of events.
- Encouraging community development and promoting the local agenda by ensuring the space is affordable and accessible for local groups and residents.
- Delivering a programme of educational activities that will engage and inspire learners.

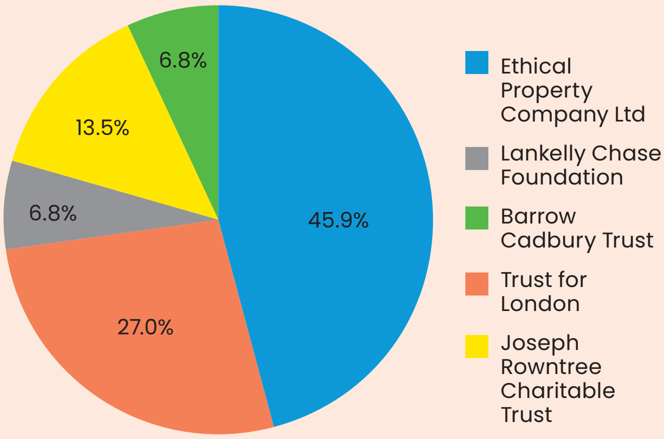
The Foundry project, with a total investment of over £12 million, was a unique combination of large-scale, mission-related, and ethical commercial investment, aiming to produce a commercial and social return. This investment took place at a time of economic crisis, with cuts in financial support affecting the third sector. The decision to go ahead with the project in such difficult economic circumstances has delivered both an iconic shared space for social justice and human rights organisations (with the potential for significant community engagement) and an economic and financial return on investment.

The project was driven by an aspiration and commitment to respond positively to the needs of third sector social justice and human rights organisations as they came under pressure from public expenditure cuts and narrowing rights and entitlements in some policy fields (e.g., legal aid) also leading to a reduction in available funding. It involved both charitable and commercial organisations; offered an unprecedented social investment opportunity for mission-driven organisations; and yielded a visible, tangible result in the shape of a building.

SJHRC was incorporated with an initial share capital of £94,500. 52% of the shares were held by Ethical Property Company Limited (EPC). As well as being a founder and funder EPC provided project management consultancy services during the development phase and held contracts to manage the property from February 2014. SJHRC has no employees of its own. (Social Justice and Human Rights Centre Limited, 2012)

In May 2012 the company issued new shares to the five founding organisations. Total equity capital raised was £1.85 million.

*Figure 16* **Founder shareholdings for Social Justice and Human Rights Centre Ltd**




During the year ended Sept 2012 the company acquired a property in the Vauxhall area of London with plans to carry out a full renovation of the building and give it a new identity. September 2012 accounts for SJHRC show freehold land and buildings of £5,118,444. Unsecured loans totalling £1,305,000 were provided by EPC, Trust for London, and The Barrow Cadbury Trust. (Social Justice and Human Rights Centre Limited, 2012)

The plan was to complement equity investment by the original investors with debt finance from Triodos Bank. Triodos was EPC's banker, had financed previous EPC projects and was considering lending at good, flexible interest rates, which would reduce on practical completion of the building project. Triodos' decision not to provide debt finance was a shock to all those involved with the project and led eventually to a complex, time-consuming, costly, and non-optimal funding package. Managing the funding structure became almost as demanding and probably more stressful than managing the building project itself. (Institute for Voluntary Action Research, 2015)

Over the two years following the purchase of the building the founders increased their original investments by varying amounts and new lenders contributed additional debt capital. SJHRC had borrowed a total of £8.4 million by September 2014, including £4.95 million of secured loans from Bridges Ventures Social Entrepreneurs Fund LP, Big Society Capital Limited, and The Charity Bank. The unsecured loans had 5-year terms repayable in August 2018 and an interest rate of 6.25% (except for one lender who charged a rate of 6.75%). The loans from Big Society Capital and The Charity Bank were to be repaid over 20 years at an interest rate of 6.5%.

SJHRC accounts for the year ending September 2014 show the property was revalued by £1,968,240 and additions were made of £6,038,946. The net book value of the property was £14 million at the end of the period. The Foundry opened and took on the first tenants in Autumn 2014. The offices achieved 100% occupancy within the first year of operation and the company was trading profitably by the fourth quarter of the year. A total of £415,999 of finance costs that had been incurred during the acquisition and construction phase of the project were capitalised and included on SJHRC's balance sheet from September 2015. (Social Justice and Human Rights Centre Limited, 2015)

Once the building was operational SJHRC began paying interest on the loans it had taken out to fund the project. Interest payments made by the company in 2015 and 2016 were in line with the originally agreed interest rates – 6.25 to 6.75% - but by 2017 the company had changed its funding structure.

During the year ending in September 2017 a debt-to-equity transaction took place with repayment of all loans and the creation of new loans with Big Society Capital and The Charity Bank. The founder organisations swapped £1,925,000 of their loans to the company for additional equity of £491,330. Big Society Capital and The Charity Bank increased their original loan amounts by a combined £2,427,160. The new loans were for terms of 20 years terminating in March 2037 with an interest rate of 2% above the Bank of England base rate – at the time base rate was 0.25%. The new loans are secured by a first legal charge over the property.

The building was fully occupied in its first five years of operation, but occupancy rates fell to a low of 82% because of the covid-19 pandemic when the conferencing business was put on hold and tenants used their offices less frequently. According to SJHRC's annual financial statements, capital repayments on loans appear to have been suspended in the year ending September 2021 and then resumed the following year.

In the five years since the debt-for-equity swap SJHRC has earned total income of £7 million, made interest payments of £715,000 and dividend payments to shareholders of £748,000. SJHRC's balance sheet in September 2022 showed a profit and loss reserve (cumulative surpluses and deficits since the company's formation) of £1.8 million. The Foundry has experienced several revaluations since completion and the cumulative impact of these are reflected in a revaluation reserve of £3.2 million in 2022.

## The Foundry – Conclusions

The collaboration between several like-minded organisations who were used to working together provided the motivation and common mission to purchase and redevelop a property to meet the specific needs of social justice organisations. The knowledge, skills and experience possessed by representatives of the founders contributed to a strong board of directors which proved resilient in the face of challenges and maintained focus on the shared social justice mission.

The size and redevelopment costs of the property, and the number of partners involved meant that funding arrangements were diverse and complex. Funding challenges intensified when a key lender decided not to proceed as planned. While initial difficulties were overcome, a debt-for-equity swap was required to put finances on a more stable footing.

The building was fully occupied as soon as it opened to tenants, remaining so up to the covid-19 pandemic, and it has benefited from several revaluations since completion, contributing to a strong balance sheet for SJHRC.

Key factors in The Foundry's story are:

1) **People**

a. There was a high degree of trust, mission alignment and mutual understanding especially around the motivation of board members. They already knew one another's organisations well, including their structures for decision taking, because they had worked together before (in different pairs and groupings). (Institute for Voluntary Action Research, 2015)

b. SJHRC was established specifically to bring together like-minded organisations in a shared space and the property was designed, following extensive consultation with social justice stakeholders, with that in mind.

c. The board possessed a good range of complementary skills and capabilities as well as having access to ancillary skills through colleagues and expert partners. Board members' deep familiarity with the hallmarks of successful collaboration had produced considerable benefits (e.g., spending time on developing a shared vision at the outset had paid off) (Institute for Voluntary Action Research, 2015)

d. EPC is a specialist property manager supporting charities, co-operatives, community and campaign groups and ethical businesses. EPC manages the company (SJHRC) and all its transactions, including payment of management fees. The fees charged by EPC for these services was £423,000 in 2022.

e. While the board possessed many of the skills that it required and drew in others effectively, it lacked the expertise, knowledge, and ability to analyse and understand the lenders' criteria for assessing investment opportunities and making decisions about them. This placed it in a weak position from which to negotiate funding agreements (in terms of both financial and legal requirements) and take a more confident and assertive approach to negotiations. (Institute for Voluntary Action Research, 2015)

2) **Property**

a. The Foundry brings together some of the country's most innovative and progressive social justice and human rights organisations into ethically managed, affordable, environmentally friendly premises.

b. Prior to the covid-19 pandemic, and from the first full year of operations, The Foundry was fully occupied, suggesting that the building is fit for purpose.

c. Some prospective investors in The Foundry felt that investing in one single building through a Special Purpose Vehicle was too risky and too much work for limited impact. Those with this view would have preferred to invest in a company such as EPC or a property fund. (Institute for Voluntary Action Research, 2015)

3) **Money – right money at the right time on the right terms**

a. Funding was provided by several social investors. At the time, The Foundry's total investment of £12 million was a unique combination of large-scale, mission-related, and ethical investment, aiming to produce a commercial and social return. (Institute for Voluntary Action Research, 2015)

b. The moment when Triodos withdrew was a turning point and required a totally different approach to raising and managing funding. However, at the time, it was difficult to envisage how challenging the process of having five equity investors, three providers of senior debt and several junior debt agreements would be. (Institute for Voluntary Action Research, 2015)

c. The initial structure of the funding was not ideal, in that equity investors, who take the greatest risk, looked at one stage likely to receive the lowest return, and senior, secured lenders would have more favourable interest rates than junior, unsecured lenders. There may have been an assumption among some funders that the charitable trusts would trade greater risk and lower returns for social impact. (Institute for Voluntary Action Research, 2015)

d. The changes in the funding structure over time raised the loan to value ratio, increased the number of lenders requiring primary security (thereby weakening the claim of each lender) and added complexity and legal costs. (Institute for Voluntary Action Research, 2015)

e. The debt-for-equity swap in 2017 put SJHRC's finances on a more stable footing, taking the debt-to-equity ratio from 120% in 2015 to 60% in 2018 and 43% in 2022.

f. Some of the initial investors in The Foundry are looking to reduce their investment. Therefore, there is still the opportunity to invest. Investment in The Foundry offers financial returns of 3% dividend plus capital growth for equity and loans at 6.25% over 5 years. Social returns include adding impact and raising awareness of social justice issues by bringing together like-minded organisations and supporting the regeneration of the local community.

4) **Governance**

a. Structures for the project's governance and management were fit for their purpose. Regular, formal board meetings provided structure without being overly rigid (for example, frequency of meetings varied over time). Specialist subgroups (communications, design) were used and considered helpful, particularly for the additional input from partners' colleagues or experts that they provided. (Institute for Voluntary Action Research, 2015)

b. The company limited by shares structure enables equity to be issued to raise capital.

## The Foundry - Lessons Learned

In their "Reflective Review" of the development stage of The Foundry, The Institute for Voluntary Action Research (IVAR) made several recommendations based on their research findings. (Institute for Voluntary Action Research, 2015)

IVAR noted that the involvement of thirteen different funders providing equity, secured and unsecured loans meant there was considerable duplication in legal processes and documents produced. A better approach may have been for one firm of lawyers to have been engaged to create standard document templates.

IVAR also made the following recommendations for future projects:

- A clearly identified and well-understood project life cycle with defined break/review points at project planning and pre-development; construction and development; and completion, occupancy, and ongoing management. See Figure 17 below.
- Financing phases that follow this project life cycle and a clearly articulated, comprehensive funding structure.
- Greater expertise to analyse and interpret key financial indicators used by project managers, lenders, and investors to assess and mitigate risk.
- Responding to increases in complexity by taking the time to review the overall budget, funding strategy and funding sources.

Are there broader lessons for the social investment sector? IVAR identified four areas of learning that the early stages of The Foundry project highlighted. They relate to:

- Finding ways to understand and reconcile the different perspectives and requirements of investors.
- Putting more time and resources into the pre-development phase, so that budgets are more reliable and more readily financeable.
- Clarifying investors' roles, responsibilities, and expectations before they invest, to ensure that risk and return expectations are understood and aligned as far as possible with project outcomes.
- Clarifying, monitoring, and managing investors' expectations and strategies in relation to exit, so that:
    - Investors with clear and pre-defined exit requirements find their exit facilitated.
    - Those who are unclear about how and when they wish to exit have their expectations and options clarified.
    - The overall project is not weakened by the withdrawal of capital.

The debt-for-equity swap that SJHRC completed in 2017 significantly simplified the funding structure for the company and reduced the number of lenders.

*Figure 17* **IVAR project life cycle of social property development**

| | Project life cycle | Financing Options | Review/Break Points |
|---|---|---|---|
| | **Project Planning and Pre-development** | | |
| **Phase 1** | Formulate development concept<br>Bring equity investors together<br>Identify site<br>Secure site<br>Design and planning permission<br>Finalise and agree budget<br>Demonstrate post-construction demand<br>Secure project funding | Grants<br>Equity and Equity like Products<br>This may require equity levels of 30% or higher of the total project cost including contingencies and provision for over-run. | Agree the concept<br>Agree team of equity investors<br>Agree site purchase<br>Agree design<br>Agree budget<br>Letters of intent<br>Agree finance package, including key finance indicators.<br>Agree exit strategies. |
| **Major Review End Phase 1: Agree to commence construction** | | | |
| | **Construction and Development** | | |
| **Phase 2** | Finalise building specifications<br>Select construction team<br>Finalise contracts and budget<br>Construction<br>Completion | Short-term, high risk, relatively high return bridging/development funding up to practical completion and occupancy. | Agree specification<br>Agree construction team<br>Agree contracts and budget<br>Regular progress reports |
| **Major Review End Phase 2: Accept partial/final completion** | | | |
| | **Completion, Occupancy, Refinancing and Management** | | |
| **Phase 3** | Snagging<br>Occupancy<br>Ongolng Management<br>Implement exit strategies | Equity and long-term, low risk, lower return financing takes out development and bridging funding. | Agree snagging list<br>Review occupancy rates against projections<br>Review running costs against projections<br>Review strategic shift in financing structure. |
| **Major Review End Phase 3: Review and learn lessons for further projects** | | | |

# Case Study 4 Homebaked Community Land Trust

## Organisation Overview

The Homebaked story began as a public arts project commissioned by the 2010 Liverpool Biennial. Out of initial reactions with residents and artists, Dutch artist Jeanne van Heeswijk created 2Up2Down – a community led design project to reimagine the terraced house, and, by extension, to reimagine the future of the area. (Thompson, Homebaked: Brick by Brick, Loaf by Loaf, We Build Ourselves, 2020)

Homebaked Community Land Trust CIC (Homebaked CLT) was incorporated in April 2012 as a community interest company limited by guarantee. It was established and is led by people with lived experience of the demise in the area and a desire to shape and own their own social, cultural, and economic future. The company's vision was to make their neighbourhood a vibrant place for those who live there and for visitors to it. Homebaked CLT's Articles of Association listed the following objects:

- Acquiring and refurbishing an empty former bakery building to reinstate as a community owned bakery and shop.
- Acquiring and refurbishing empty and/or run down properties for letting as affordable housing.
- Providing training and work experience to the unemployed through the renovation of properties to be acquired for affordable housing.
- Providing and/or enabling training and work opportunities through the provision of a community shop and the bakery.
- Promoting social inclusion and community development.
- Promoting social and economic regeneration – create a model for more community led housing and regeneration, both in the area and nationally. (Homebaked Community Land Trust CIC, 2012)

Soon after its formation Homebaked CLT offered to buy the bakery building and carry out a full refurbishment so that Homebaked Cooperative Bakery would be able to open as a community business. At the time, the bakery and adjacent buildings were earmarked for demolition and, with no development partner in place or suitable lease on the property, the £100,000 funding that had been agreed with Social Investment Business could not proceed. Undaunted, the newly established Homebaked Cooperative Anfield Limited and Homebaked CLT refurbished the bakery kitchen and café with an initial private investment of £25,000 to enable test trading.

The year ending April 2014 was the first year of operation for Homebaked CLT. During this time the organisation worked to secure funding to take forward its plans to engage the community in the co-creation of new housing and public open space in the Anfield area of Liverpool. The area had been subject to over 10 years of uncertainty and disruption following the introduction of a failed Housing Market Renewal Initiative.

In May 2014, following encouraging test trading at the bakery and a Heads of Terms agreement between Liverpool City Council (LCC) and Homebaked CLT in which LCC would provide a lease on the bakery pending successful refurbishment with community benefit, £100,000 funding was successfully secured from Social Investment Business. This investment would meet the cost of improvements to the Homebaked Community Bakery kitchen and employ two part-time members of staff to progress the development of two flats above the bakery and a proposed block of new build housing alongside. This involved working with residents to interview and appoint an architect, develop a design brief, work up scheme designs, develop costings and financial viability assessments, and negotiate with the local authority to secure the land. A programme of regular Core Design Team workshops was established to which local people were invited and their ideas shaped the design of the planned community housing and amenity space.

National community business funder, Power to Change, awarded Homebaked CLT capital and revenue funding in 2016 to redevelop the flat above the bakery into an affordable shared flat with four bedrooms. The flat was refurbished through a bespoke apprenticeship scheme for young people interested in learning skills and gaining experience in construction. Total capital investment in the building amounted to £332,000. The work was completed in 2018 and the flat provided Homebaked CLT with a modest rental income to supplement the grant income needed to fund activities and pay for staff. The flat was fully occupied by local people who were occupying their own home for the first time and was refurbished to the satisfaction of Liverpool City Council (LCC).

Following the successful refurbishment of the flat, Homebaked CLT started the process of agreeing a community asset transfer from LCC. A letter of intent was provided confirming a more secure lease agreement and LCC's Cabinet approved the transfer of the freehold of the building, incorporating the bakery and the flat above, from Council ownership to Homebaked CLT for £1 in June 2019.

After several years in which the terrace next to the Homebaked bakery was under threat of demolition, LCC signalled that they now preferred retention and redevelopment of the properties. So, in autumn 2018 Homebaked CLT invited URBED, an urban design co-operative, to work with them to develop plans for the refurbishing of the terrace of houses next to the bakery after LCC had indicated that they would consider transferring the freehold to Homebaked CLT at nil cost, subject to submission of satisfactory development proposals. URBED used a participatory process to co-develop with the community designs for housing, businesses, and community space within the block.

Feasibility funding was secured to explore with the community what the terrace should become, and bids were submitted. LCC agreed to give Homebaked CLT exclusivity during this period and gave them a license to access the properties to conduct condition surveys. Work was also undertaken on one of the boarded-up houses to provide a base on the high street. This was the start of Homebaked CLT's plans for extending the regeneration of the area on a community led basis and further securing assets for the community. It was the second time that proposals for the terrace were explored, having previously conducted a feasibility study for demolition and new build. This plan was about refurbishment, to produce a mixed-use development of homes and business space for new community businesses, as well as extending the space for the existing Homebaked bakery. Regular liaisons were held with LCC to ensure that the proposals fitted the wider plans for the area and CLT members attended the Anfield Stakeholder Group to connect with other interested groups and individuals. As a result, 'saving the terrace' for refurbishment became part of the master plan for the area, with Homebaked CLT cited as the responsible organisation.

Once the redevelopment plan was agreed, Homebaked CLT needed a delivery partner and chose to work with Your Housing Group, a Warrington based social landlord and one of the UK's largest housing providers. The plan was to develop the nine remaining terraced houses into 8 homes, all owned and managed by the CLT. Planning permission was granted in July 2019 and LCC approved the award to Your Housing Group of a 150-year lease to begin the rehabilitation work of the terraces – Your Housing Group would act as development manager for Homebaked CLT, with no fee imposed, to deliver a live-work conversion for start-up local businesses and affordable living. Once complete, and conditional on Homebaked CLT being awarded Registered Provider status, to act as a regulated social housing provider, the freehold was to be transferred from the council into community ownership. For Homebaked CLT, partnership with Your Housing Group provided access to Homes England and other grant funding, whilst Your Housing Group was to support and share expertise with Homebaked CLT in terms of delivery of the scheme.

Having obtained planning permission for the terrace in July 2019, Homebaked CLT entered discussions with LCC on the land transfer for the terrace and with Homes England on grant funding. A cost consultant and architect were appointed, and they worked with the Homebaked Design Group to produce a full scheme specification and tender documents to procure a contractor. Throughout 2020 the covid-19 pandemic hit the Homebaked community hard, and several lockdowns caused delays to the project. Tender documents were issued in December 2020 and a local contractor was appointed in March 2021 with an agreed target date of March 2021 for work to commence on site.

Also in March 2021, came publication of Max Caller's Best Value Inspection report into Liverpool City Council's Highways, Regeneration and Property Management functions. The report identified failings in relation to land disposal and governance and made a series of recommendations to tackle them. (Ministry of Housing, Communities & Local Government, 2021) Following publication of the report the Secretary of State for Local Government announced in June 2021 that he was appointing independent commissioners for a period of 3 years to oversee improvements at LCC. This led to a hiatus in all LCC's property-related activities.

In December 2021 LCC announced a change in approach to land disposals, and specifically to Anfield regeneration projects. Where previously the Council had "a focus on direct sales to partner organisations, to special purchasers, and by private treaty, including at less than the best price achievable in return for achieving wider regeneration and community benefits" the new approach meant that "Proposals can no longer rely on direct sale to partners and there are few exceptions to achieving best value. Furthermore, following further reduction in the Council's budget and consequent introduction of a Council spending freeze, general land, and property receipts in Anfield can no longer be ring-fenced for reinvestment in the Anfield area." (Liverpool City Council, 2021)

The substantial capital investment requirements for redevelopment of the terrace meant that the Homebaked CLT board needed to consider a mix of funding options. As a community interest company limited by guarantee the CLT was not able to include equity as part of its funding toolkit – companies limited by guarantee are not able to issue shares. However, co-operatives and community benefit societies can issue a form of equity known as withdrawable share capital with voting rights usually attached to membership of the society rather than the number of shares held – one-member-one-vote. The board took the decision to convert Homebaked CLT from a community interest company to a community benefit society. This was a two-step approach.

Homebaked Community Land Trust CIC published their last set of accounts for the year ending April 2020 and formerly converted to an FCA-registered community benefit society, Homebaked Live Work Play Limited, with effect from 29 March 2021. The assets and liabilities of Homebaked Live Work Play Limited were in turn transferred to a new Charitable Community Benefit Society entity called 'Homebaked Community Land Trust Limited' with effect from 1 July 2022, and Homebaked Live Work Play Limited ceased to trade on that date. (Homebaked Live Work Play Limited, 2022)

Homebaked Community Land Trust was registered as a new society on 10th March 2022. As a community benefit society all assets are owned and managed for the benefit of the community and the CLT can now run a community share scheme. The Homebaked CLT board is elected from and by the members and is accountable to them.

With two years having passed since planning permission for refurbishment of the terrace had been granted, a substantial start on site needed to happen prior to July 2022 to ensure the planning permission did not lapse. As the due date approached and work had not commenced it was looking like Homebaked CLT would have to reapply for planning permission. With substantial cost increases having occurred in the meantime – building costs and interest rates – any further delay would have added more cost, viability, and delivery risk to the project. A revised proposal was therefore submitted to LCC's Cabinet in July 2022 granting Your Housing Group a license for works and occupation so that access to the properties at Your Housing Group's risk was permitted. The terms required that Your Housing Group would pay £249,000 to LCC if refurbished properties had not been sold on to Homebaked CLT within three years of the grant of the lease.

By 2023, no progress had been made on the redevelopment and revised planning documents were submitted to LCC in April 2023. The amended plans were designed to:

1) Provide further time for refurbishment of the properties and for Your Housing Group to exercise the associated call-option to purchase the freehold of the properties upon completion of the refurbishment, to allow Homebaked CLT more time to raise finances and gain registered provider status. The time was increased from three years to five years from the date of the lease.
2) Remove the requirement for Your Housing Group to pay deferred consideration to LCC if Homebaked CLT did not obtain registered provider status and as such the properties are not transferred to Homebaked CLT. LCC considered that Your Housing Group would deliver the same regeneration and social value benefits as Homebaked CLT, which was considered to achieve best value for the project and the Council in those circumstances. (Liverpool City Council , 2023)

An external Red Book valuation of the properties determined the market value of the freehold interest to be £247,000 based on the current condition and use. It also included a refurbished value for the premises of £1.08 million. Your Housing Group's development appraisal showed a total development cost of £3.17 million (excluding property value). This would result in a significant project viability deficit of over £2 million. This evidenced the need to finance development and bridge the viability gap until Homebaked CLT can manage the properties as a registered social housing provider, generate revenue and reimburse costs. Your Housing Group has committed to providing cash flow of £2.3 million for development costs in addition to £900,000 of grant funding from Homes England and Liverpool City Region Combined Authority.

Homebaked CLT plans to raise the £2.3 million they need to buy the properties from Your Housing Group as follows:

- Debt Finance £600,000
- Community Share Offer £500,000
- Sponsorship and Crowdfunding £300,000
- Grants £865,000

Liverpool City Council concluded that the social value and regeneration benefits constitute improvement of economic, social, and environmental wellbeing, which would justify disposal of the properties at less than best consideration. The proposal meets the priorities within the Council Plan, empowering the local community to take ownership and proactively regenerate their neighbourhood in the most appropriate and beneficial manner.

This less than best consideration disposal on social value and regeneration grounds will form a pilot to assess how social value can be successfully delivered. There will be a requirement through the lease for Your Housing Group to appoint a social value manager to monitor and report annually to the Council on the social value achieved relative to that benchmarked.

Homebaked CLT alone, whilst being heavily embedded in the community and invested in the regeneration of Anfield, does not have sufficient development experience or access to funding to satisfy the Council's due diligence process for community asset or community led housing transfer of these properties. They are dependent upon Your Housing Group (as a key Anfield regeneration partner with proven track record of property refurbishment and social value delivery) acting as development manager and mentor and securing the necessary funding for property development on their behalf.

## Homebaked Community Land Trust CIC – Conclusions

Availability of suitable leases – or not – has played an important role in the Homebaked CLT story. Only with a fit-for-purpose lease can appropriate funds be secured, development plans progressed, and social value be realised. The difficulties obtaining a suitable lease for the flat above the bakery caused Homebaked CLT to initially miss out on funding and delayed the refurbishment of the property, denying local people the opportunity to secure affordable housing and the CLT valuable rental income.

Having developed a relationship with LCC as the property owner of the terrace next to the bakery, and working closely with them over several iterations of regeneration plans for the area, Homebaked CLT were then caught up in the ramifications of the Caller Report into Liverpool City Council. While this caused significant delay to work starting on site and multiple cost increases over the period, it also led to the introduction by LCC of some key policies which were influenced by and relevant to Homebaked CLT:

- Social Value Policy – ensures that consideration of social value will form a core part of how LCC makes decisions.
- Community Asset Transfer Policy – converts the social value of a community group's business plan into a monetary value which can then be used to offset the cost of using council-owned land or buildings.
- Community Led Housing Asset Disposal Policy – aims to unlock vacant land and properties for community groups to convert into new homes.

As well as positively influencing the policy environment for Liverpool's communities, the direct social value benefits to be realised over the life of the terrace redevelopment is estimated to be £500,000 comprising:

- Employment opportunities for local people.
- Refurbished properties to high quality standards, creating neighbourhood improvements for residents and the wider community.
- The tenure of the refurbished residential properties is targeted at local people, and specifically aimed at young people wishing to leave the family home to join the housing ladder.
- Community impact through retaining heritage and bringing dilapidated properties back into use.
- Investment and professional support to other community enterprises during the works period, creating further employment and local spending.
- Regular volunteering opportunities for local people to increase confidence, skills and reduce isolation by addressing community cohesion.
- Creation of a tenant-led management organisation to help residents feel in more control of their lives, by empowering them to ultimately be managers of their own homes.
- Raising residents' confidence through community business training and support.
- Environmental benefits reducing embodied carbon, by bringing existing buildings back into use with energy efficient low carbon heating systems. (Liverpool City Council, 2022)

Key factors in the Homebaked CLT story are:

1) **People**

a. Homebaked CLT has around 200 members and 10 board directors from the local community. Membership is open to anyone, encouraged amongst local residents, workers, businesses and football fans. This provides a strong pool of committed volunteers from which to draw for advice, assistance with delivery of community consultations and co-design exercises. The depth of relationship and extent of involvement with the community is one of the defining characteristics of Homebaked CLT and a key factor in justifying the transfer of assets from public ownership at less than market value.

b. The CLT depends largely on volunteers and a few temporary contract staff, employed on a fixed-term part-time basis. Staff numbers employed by Homebaked CLT rose to 9 in the year ending April 2022 from 5-6 in recent years. Over several iterations of the plans the CLT team has developed strong project management skills and internal capacity to fulfil core functions.

c. For tasks and functions which cannot be dealt with by the internal team or where external expertise is required these are outsourced to specialist providers such as URBED, Co-operatives UK, North West Housing Services.

d. The partnership with Your Housing Group provides much needed skills, development capacity and access to a wider range of funding than would otherwise be available. It also enables Homebaked CLT to undertake a much larger redevelopment project than it would be able to take on its own.

e. Community land trusts are designed to provide stewardship of assets with a broad base of stakeholders and the wider community. Through the CLT governance structures Homebaked has brought together disparate local groups to discuss common issues, debate, and co-design the future of the area.

2) **Property**

a. The bakery and flat above it provides affordable accommodation to local citizens and a modest rental income to Homebaked CLT.

b. Redevelopment of the terrace next to the bakery is a substantial project that will bring significant positive impact to the neighbourhood and community. It also requires extensive construction work and funding. Homebaked CLT's partnership with Your Housing Group is fundamental to the success of a project of this scale and complexity.

c. Provision of high quality, affordable housing for the local community by refurbishing the terrace is much needed and forms an important part of the Strategic Regeneration Framework for Anfield.

3) **Money**

a. Homebaked CLT has received around £600,000 of grant funding and almost £60,000 of rental income since 2017.

b. LCC's disposal of a 150-year lease to Your Housing Group allows Homebaked CLT to draw down funding from Homes England and other sources.

c. The willingness of LCC to take social value into account when assessing best value and the terms on which it was willing to transfer the assets improves the chances of success for the project.

4) **Governance**

a. Homebaked CLT started life as a community interest company limited by guarantee. This proved to be a suitable governance structure for the organisation for the first 7 years while the flat above the bakery was refurbished and brought into use. Once plans were formed for a much larger redevelopment and housing project – 'saving the terrace' – a change in governance arrangements was required to enable access to more funding options.

b. Conversion to a community benefit society was an effective way for members of the community to have a real stake and a say in how Homebaked CLT operates, maintains the asset lock which existed under the CIC structure, and enables the issuance of community shares.

## Homebaked Community Land Trust - Lessons Learned

It takes a long time to bring together all the elements needed to succeed in delivering a successful regeneration project.

Extensive community involvement in co-designing proposals can be an important factor in ensuring local authority support, but detailed evidence of social value delivery will be needed to justify publicly held assets being transferred at below best value.

The involvement of a large, well-funded partner may be necessary for community organisations to be able to successfully engage with local authorities for asset transfers and other transactions that require completion of due diligence processes.

What starts as small acts of community activism can lead to the generation of significant social impact and policy change when done well. By learning from doing, drawing on expert advice and building strong partnerships, community led projects can develop the capacity and governance expertise needed to deliver complex regeneration programmes.

# Case Study 5 The Granby Four Streets CLT Limited

## Organisation Overview

Established in November 2011 as a community land trust, Granby Four Streets Community Land Trust Limited (Granby Four Streets CLT) is about creating a thriving, vibrant mixed community, building on the existing creativity, energy, and commitment within the community, where people from all walks of life can live, work and play. The vision for Granby Four Streets is a neighbourhood which:

- Has streets full of plants, creating the greenest quarter in the city.
- Is architecturally rich, with imaginative renovations of Victorian terraces.
- Is a thriving multi-cultural, multi-racial area.
- Is sociable, safe, and welcoming.
- Has an arts and social hub with a community café.
- Continues to organise and celebrate our own monthly street market (Granby Four Streets CLT Limited, 2023).

The Objects of the company as specified in the incorporation documents are: to carry on for the benefit of the local community of the specified area of Ducie Street, Jermyn Street, Cairns Street and Beaconsfield Street L8 (bounded by Kingsley Road and Princes Avenue) the business of acquiring, holding, developing, and leasing land and property for permanently affordable housing and asset-based community development and the business of securing the maintenance, improvement and creation of

- Amenities for the local community.
- The wellbeing of those who live and work, or want to live and work, in the local community.
- To enable people to build thriving, inclusive communities through the democratic ownership and stewardship of land and other assets. (The Granby Four Streets CLT Limited, 2011)

Granby residents had a long history of fighting against eviction and demolition plans well before the idea of a community land trust was suggested. By the 2000s a group of committed activists – mostly women – had started to act in their own way by clearing rubbish from the streets, planting wildflowers on vacant land, and painting boarded up houses with colourful murals. These small acts of guerrilla gardening and urban creativity, plus the start of the monthly street market, started out as a group of activists wanting to improve things for themselves where previously tried large-scale regeneration projects had so obviously failed. What they also did was show that Granby was a vibrant area, home to a community committed to shaping their own version of regeneration and wanting to be taken seriously by the local authority.

By 2011, the idea of a community land trust had taken hold and Granby Four Streets CLT was formed to provide a governance structure and credibility to move ideas on the redevelopment of the area forward. Not long after its formation, the CLT came to the attention of social investor, Steinbeck Studio, whose co-founder, John Davey, went on to provide a £500,000 loan. This loan, provided interest-free for the first four years and then at 4% per annum for a further three years, enabled the CLT to raise match funding of £250,000 from two national grant funders and provided the means with which they would be able to fund the refurbishment of their first properties.

In 2013, Steinbeck Studio commissioned Assemble, a London-based multi-disciplinary collective working across architecture, design, and art, to write a design statement which described a refurbishment plan for an initial 27 homes plus a long-term vision for the other empty properties and the Granby high street. Assemble's plan built on the hard work already put in over many years by the residents and translated it into the refurbishment of housing, public space, and the provision of new work and enterprise opportunities. Their designs were made based on feedback from the community during participatory design workshops and, as a result, closely met the needs of residents.

A crucial difference between the Granby Four Streets CLT proposal and what had gone before was the involvement of several different organisations with the CLT in a convening role around a common vision for the area. An early discussion document 'Clouds and Silver Linings' suggested that a single solution had failed in Granby over the previous thirty or so years and so many smaller solutions might be worth a try. It got traction. The CLT brought together Steve Biko Housing Association, housing co-op Terrace 21, Liverpool City Council's 'Homes for £1' scheme, funding from Steinbeck Studio and grant funders, and design and architectural expertise from Assemble. The result was a mix of tenure, diversity of property sizes and a sharing of risk, skills, and work. All of which, ultimately, brought asset transfers from the local authority and, in 2015, the Turner Prize – the first time a housing or architectural project had ever won the UK's most important art award.

Assemble accepted the Turner Prize award on condition that it was shared with the Granby Four Streets CLT. The award brought a lot of attention and publicity to the Granby area, helped to convince Liverpool City Council that the CLT would be able to take on and successfully refurbish derelict properties, and unlocked grant funding for further development from Power to Change, the Cooperative Foundation and Homes England.

Once renovation work of the first 10 homes began a group of local residents who were trained by Assemble began to design and manufacture some of the items that would be used in the refurbished properties such as bathroom tiles, door handles, and fireplaces. Granby Workshop was formed in 2015 as a social enterprise to provide bespoke items for homes, provide skills and employment (paid or volunteers) for residents, and to maximise the value created during the regeneration process by re-using materials collected from disused properties in the neighbourhood and waste that would otherwise be sent to landfill. The Workshop has since grown considerably and now undertakes a range of commissions, supplying its distinctive architectural ceramics worldwide. The last reported accounts for Granby Workshop showed annual income of just under £500,000, a surplus for the year of £77,000 and 9 employees (up from 5 the previous year). (Granby Workshop, 2023)

A key motivation behind the formation of the Granby Four Streets CLT was to provide affordable homes for local people and to ensure that any increase in asset value that is achieved because of the regeneration efforts of the community is retained by them. Here is what the registration document for Granby Four Streets CLT says:

*The Society shall seek in the delivery of its objects to acquire and retain interests in land and property within the area of the local community and to actively manage such ownership to*:

- *Retain asset value for the benefit of the local community and ensure that the assets are not sold or developed except in a manner which the Society's members thinks benefits the local community.*
- *Maximise asset value for the benefit of the local community.*
- *Recycle any gains made in dealing with the assets for the benefit of the local community.* (The Granby Four Streets CLT Limited, 2011)

The first three houses sold by the CLT, all on Cairns Street, included covenants limiting the price of any future sales to below market value, calculated using the median wage in the Liverpool area. (BBC News, 2016) These three houses were each sold for around £90,000 with priority given to people with a connection to the Granby/Toxteth area and who were first-time buyers in need of affordable housing. All homes sold by the CLT will include such "anti-gentrification" clauses.

Figure 18 provides a summary of house price trends for the Granby Four Streets before and after the formation of the CLT in 2011. Data is taken from publicly available summaries of HM Land Registry sold house prices. The data quality is very patchy and may not be up to date, but it does provide some useful information on broad trends in property prices in the Granby Four Streets which shows the value that has been added in the area by all the regeneration activity undertaken by the CLT and others.

Based on the number of properties and the average sold price before and after 2011, the total value of properties in the Granby Four Streets increased by £14.7 million, a rise of 282%, to around £20 million. Over the same period, Office for National Statistics data show that UK average house prices increased by 29%. Estimates of the current value of all the properties in the Granby Four Streets range from £23 million to £32 million, a 4.5 to 6 times increase on the total value prior to 2011. According to property website, Rightmove, terraced properties in Liverpool sold for an average price of £158,501 over the last year, meaning that based on the high end of the estimated prices, average prices in the Granby Four Streets are close to reaching the overall level for Liverpool having previously been a long way below. (Rightmove, 2023)

*Figure 18* **House Prices in Granby before and after the CLT**

| Granby Four Streets House Prices | Average Sold Price | | Average Estimated Price | | Total Estimated Value | | Number |
|---|---|---|---|---|---|---|---|
| | Before 2011 | After 2011 | Low | High | Low | High | |
| Beaconsfield Street | £34,200 | £106,500 | £127,795 | £170,432 | £11,246,000 | £14,998,000 | 89 |
| Cairns Street | £20,000 | £78,063 | £120,690 | £163,810 | £7,000,000 | £9,501,000 | 64 |
| Jermyn Street | £18,938 | £77,000 | £101,780 | £142,390 | £4,173,000 | £5,838,000 | 49 |
| Ducie Street | £0 | £0 | £94,444 | £141,889 | £850,000 | £1,277,000 | 11 |
| **Granby Four Streets Total** | **£24,464** | **£93,477** | **£118,719** | **£161,296** | **£23,269,000** | **£31,614,000** | **213** |

Total value before 2011 (Sold Prices) £5,210,893
Total value after 2011 (Sold Prices) £19,910,659
Estimated Current Total Value (Low) £23,269,000
Estimated Current Total Value (High) £31,614,000

It should be noted that Granby Four Streets CLT is not the only organisation active in the regeneration of the area, and so it is not appropriate to try to attribute any increase in asset values to them or any other individual developer. However, it may be possible to argue that it was the commitment and activism of the Granby residents through the CLT, with the help of Assemble, that first showed what could be achieved with imagination, determination, and a commitment to shaping the future of their own neighbourhood, and that led the way in the successful regeneration of the area.

The difference between the current estimated market sale prices and the capped sale prices for the CLT's houses sold for low-cost home ownership may be used as a proxy for the value of the "anti-gentrification" clause, the social value that is retained within the Granby community. Based on reported maximum CLT sale values of £99,500 per property for the six derelict houses that the

CLT has refurbished and sold for low-cost home ownership to date, the social value retained within the community directly because of the covenant is somewhere between £115,000 and £365,000.

In 2013, the Granby Triangle had 128 vacant boarded-up houses and shops, with around 60 households occupied. By 2023, only one of the four streets, Ducie Street, remained derelict, despite it having been sold by LCC and planning permission granted in 2019 for two blocks of 80 apartments, a scheme which received many objections from the local community on the grounds that it is not in keeping with the rest of the area. Cairns Street and Jermyn Street have been almost completely refurbished and repopulated.

Granby Four Streets CLT has renovated 13 houses on Cairns St so far - six for low-cost homeownership, five for affordable rent and two as their Winter Garden. This has been done alongside other housing providers and developers bringing the remaining properties in the Four Streets neighbourhood back into use.  The integrity of the four streets and their unique characteristics, the generous room sizes, and the adaptability of the houses are being maintained. Granby Four Streets CLT offers a model for imaginative renovations of Victorian terraces, which at the same time ensures that houses are affordable for residents now and in the long term.

Granby Four Streets CLT intends to renovate the empty shops at the junction of Cairns Street and Granby Street as the basis of a productive community and retail area. So that, along with their monthly Street Market, this can become the hub for supporting local retail, social and creative enterprises and community organisations and be the start of a new phase in the life of Granby as a high street once again. Each of the CLT's projects are used to deliver employment for local people, in an area where unemployment is a major concern, especially among young people. The aim is to use the physical act of rebuilding to not only boost the local economy but to also offer residents a way of shaping their lives and the area's future.

Granby Street is the site of a monthly street market and events space which has been operating since 2010. The CLT' s ambition is for this eventually to run down the length of the street, visible from Princes Avenue and sowing the seed for the re-establishment of shops and businesses along Granby Street. (Granby Four Streets CLT Limited, 2023)

## Granby Four Streets Community Land Trust – Conclusions

This is an excellent example of how collaborative working by a diverse group of partners all working towards a common goal can achieve outcomes that have previously proved unattainable. The determination, drive and creativity of the Granby Four Streets residents caught the attention of an unconventional funder. The initial money provided was not enough to do everything that was needed but it was catalytic – once the CLT had attracted external funds they began to be taken seriously. The social investor added the professional expertise of Assemble who embedded themselves in the community to co-create affordable housing and revitalised streets in a way that residents had wanted all along. The Turner Prize brought publicity, extra funding, and new, more positive, attitudes from previously reticent partners.

The Granby Four Streets provides a clearly defined area which is large enough to achieve critical mass for funding, construction, and employment purposes, while retaining the commitment of a highly engaged community looking to create their own version of regeneration.

Key factors in the Granby Four Streets CLT story are:

1) **People**

a. A dedicated group of community activists, creatives, and guerilla gardeners, all of whom were committed to saving derelict properties from demolition and improving the area for themselves.

b. Granby residents came from a range of backgrounds and experiences and had sophisticated skills that were deployed very effectively to achieve well-defined common goals.

c. Partnerships with a range of organisations, including Assemble, who brought valuable knowledge, skills, and experience. Many of the previous plans for demolition and housing development in the area had not come to fruition because there was not one single housing developer who was willing to take on the scale of house building required after the derelict houses were demolished. This partnership approach helped convince Liverpool City Council to support the initiative. (Power to Change, 2017)

d. Shared leadership. The leadership of Granby Four Streets CLT has been taken on by various elected board members, partners and wider community members who are involved in projects outside of the remit of the Granby Four Streets CLT (e.g., external planting groups, and Assemble, their architect partner). For Granby Four Streets CLT leadership is an 'important baton to be shared'; it is felt that the key benefit of this is that different projects are not dependent on one person to drive them forward. In the longer term this limits the need for succession planning. (Power to Change, 2017)

2) **Property**

a. Starting small with community led initiatives such as guerrilla gardening, tidying, and painting shows what can be done and stimulates resident interest. Consulting regularly with local people, drawing in as many people as possible, and co-creating designs together ensures that properties are redeveloped in ways that are useful to, and valued by, the community.

b. Previous regeneration projects had failed because the scale of the work needed was too large for one organisation to manage.

c. By taking on 11 properties, selling 6 for low-cost ownership and retaining 5 for affordable rent, Granby Four Streets CLT can fund its ongoing operations adequately and generate sufficient funds for future developments.

d. The Four Streets are a large enough area to provide critical mass for operations and small enough to maintain active community engagement.

e. As a landlord and regenerator of the area, funded by substantial funds from outside the region, Granby Four Streets CLT has earned itself a role as an equal partner in discussions about any future plans for the area.

3) **Money**

a. The £500K interest-free loan from Steinbeck Studios provided the right money at the right time. The terms were manageable for the CLT, and the loan attracted other funding and provided the means for the CLT to purchase houses from Liverpool City Council. The fact that the investor came from outside the region was an important vote of confidence for the project.

b. The five properties owned by the CLT which are rented out to tenants provide a regular income and security for a loan from the Ecology Building Society.

4) **Governance**

a. A community land trust structure provides a lot of flexibility: it allows the CLT to own land but also to bring other partners in, to lease out buildings and parts of the land for fixed terms, to choose different types of tenure and attract further commercial and creative activity to the area. Within a cooperative structure it would only be the members of the cooperative who would be allowed to use commercial facilities, but with the CLT the entire community can use these buildings. (Polyak, 2017)

b. Granby Four Streets CLT operates a mixed board which includes local residents and stakeholders, and individuals from outside the region who have specific relevant skills. Many competencies are learned by doing.

## Granby Four Streets Community Land Trust - Lessons Learned

They say it takes a village to raise a child. The Granby Four Streets case study shows that it takes a dedicated community with a clear view of what they want to achieve AND the support of a range of individuals and organisations – architects and designers, creatives and social entrepreneurs, investors and grant funders, housing developers and freeholders – to regenerate streets that have been neglected altogether or subjected to previously tried top-down development proposals that did not work.

The Granby Four Streets Community Land Trust has provided a governance structure that kept the residents in control while enabling external expertise and funding to contribute to the overall improvement of the area. A deliberate decision was made to not to try to do everything themselves, nor to try to 'control' the area, but to act as a catalyst for positive change. The Trust is an asset manager in the widest sense of the word – convening and managing all the assets available from within and outside the Granby Four Streets area for the benefit of all. This has produced a good mix of outcomes with no reliance on one developer, funder or individual to deliver what is needed.

In the gap between the initial stages and realising a project, between when a community identifies with land or property and when it gets organised and puts finance in place, costs can rise exponentially. There needs to be a mechanism, even if it is just a sort of a bridging mechanism, to ensure that a community can secure building rights or land rights immediately and then they can build their business plan towards it. (Polyak, 2017)

# Case Study 6
# Baltic Creative CIC

## Organisation Overview

Baltic Creative Community Interest Company (Baltic Creative CIC) was established in 2009 by Liverpool Vision, the city's economic development company, as a vehicle to acquire and manage several large warehouses in the Baltic Triangle area of Liverpool for the explicit purpose of incubating digital and creative businesses. Initial funding of capital and revenue grants worth £4.5 million were provided by the European Regional Development Fund and North West Development Agency (NWDA).

NWDA owned 18 warehouses that were built in the 1980s and which covered 45,000 sq. ft. in the Baltic Triangle. At the time, the buildings, and the area they occupied were derelict and under-used. The creative and digital sectors in the city region were suffering from high rates of unemployment and lack of opportunities. Key individuals at Liverpool Vision understood the regeneration potential of Baltic Creative and how to access appropriate funding.

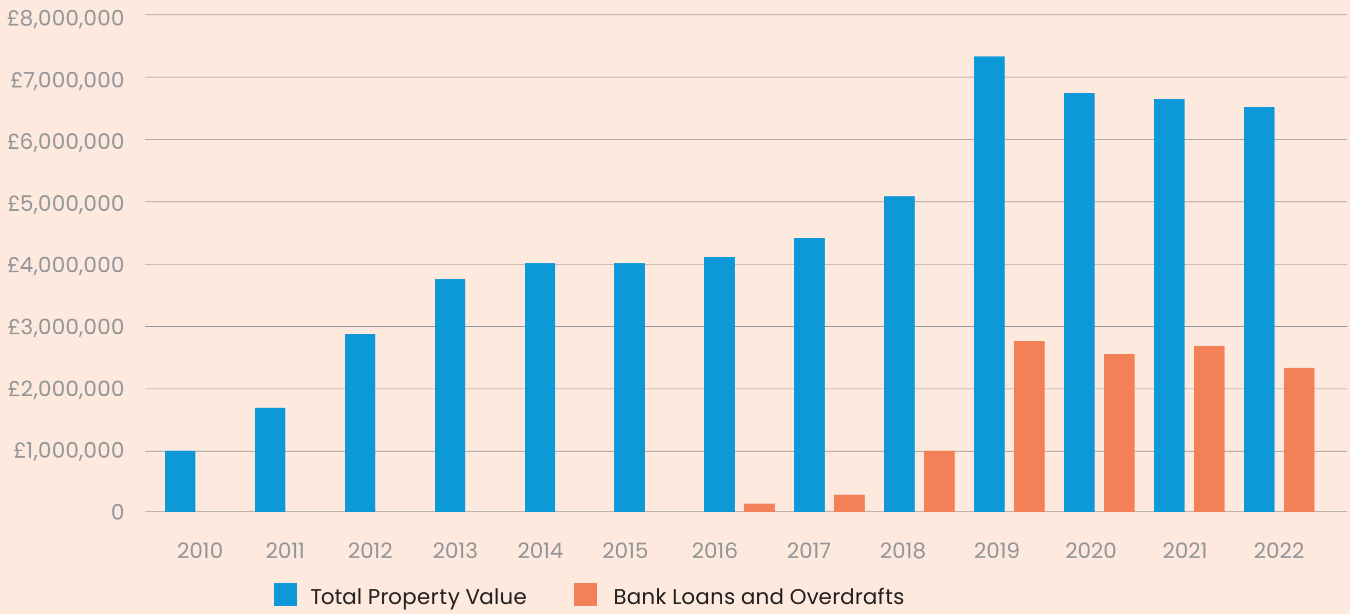
Baltic Creative CIC was incorporated as a community interest company limited by guarantee in 2009. Property was purchased and redeveloped over the next 5 years funded by capital grants of £4 million. By 2013, all the CIC's properties were fully let with a long waiting list of potential tenants. A second wave of investments started in 2017 this time financed by loans secured on the leasehold properties owned by the company. Properties were secured on long leases of 125 and 250 years, with a smaller property acquired under a 15-year lease.

The initial investment has provided Baltic Creative with a reliable rental income and a strong balance sheet which, in turn, has been used to support further growth of the business. The company now owns and manages total space available for let of 120,000 sq. ft., valued at £6.6 million, and has been able to borrow more than £2.7 million using both secured and unsecured loans from North West Housing Services Limited and Charity Bank Ltd to acquire additional properties within the Baltic Triangle. A guarantee has been provided to Baltic Creative's subsidiary company, Northern Lights Liverpool Limited, for a secured loan from Social Investment Business Foundation (Baltic Creative Community Interest Company, 2022).

As it is legally set up as a community interest company, Baltic Creative has an 'asset lock' on all the buildings it owns and is bound to support the growth of the creative and digital sectors in LCR. Profits can only be used for supporting that 'community of interest', by reinvesting in property for rent to creative and digital businesses, reinvesting in tenants, or reinvesting in the creative and digital sectors. In addition to providing value-for-money workspace, Baltic Creative offers business support to the creative and digital community via events, opportunities for collaboration and partnership working.

Baltic Creative CIC aims to promote economic growth through increased business sales, new jobs and new

*Figure 19* **Baltic Creative CIC property investment and loans outstanding**



business ventures created by their tenants. The CIC structure allows the community to benefit from the value they create, rather than being moved out once values rise and private developers cash in, as is so often the case.

The space managed by Baltic Creative is occupied by over 180 tenants employing around 650 people. Gross Value Added - annual economic output produced within the LCR economy - generated by the SMEs accommodated at Baltic Creative was estimated at £16.6 million at March 2021 (Baltic Creative Community Interest Company, 2022).

The value that Baltic Creative CIC has contributed to creating in the Baltic Triangle area is now providing the platform for private sector commercial landlords to enter the market. Since January 2012, around £190 million has been invested in new development in the Baltic Triangle area. The availability of large warehouses with affordable rents has meant that the area has been a popular location for nightclubs and music venues for several years. As well as providing a place for socialising, these cater for the creative industries attracted to the large venues which are ideal for hosting art installations, performance art, music events and art workshops. Over the last decade there has been an increase in residential development with a doubling in the population which, in turn, has led to the introduction of a handful of new independent retail businesses. There has also been an increase in hotel and apart-hotel provision, taking advantage of the Baltic Triangle's prime location. (Liverpool City Council , 2019)

With limited affordable space now available in Baltic Triangle, and an acknowledgement that digital and creative businesses' ambitions are not limited to the city centre, Baltic Creative CIC announced a change in direction in their 2019 10th anniversary annual report. Over the next decade, the CIC's priorities are:

- To provide additional space for Creative and Digital Industries across the Liverpool City Region.
- To be an advocate for the Creative and Digital Sector across the Liverpool City Region.
- To play a key role in the regeneration of the Liverpool City Region. (Baltic Creative Community Interest Company , 2019)

## Baltic Creative CIC - Conclusions

The development of Baltic Creative CIC as a business, and the rejuvenation of the Baltic Triangle as an exciting place to live and work, is attributable to the skill of the board and management team of the company and the vision of the founders. They recognised that ownership of property provides the opportunity for stable income streams, a balance sheet against which to secure funds for growth and long-term security. All of this combined with a strong mission and a clear 'community of interest' and governance structure makes for a successful and thriving community business. (Heap H. N., 2019)

Key factors in the story of Baltic Creative CIC are:

1) **People**

a. A committed board with a range of skills, knowledge, and experience relevant to Baltic Creative CIC's community of interest and commercial requirements, including international expertise – property and regeneration, arts and culture, gaming and digital, marketing and PR, social enterprise and third sector, business development, education, and finance.

b. A female-led board with an even split of male and female representation.

c. A commitment to collaboration and partnership working ensures that knowledge and experience is shared with tenants and a range of international partners.

2) **Property**

a. A steady rate of development of properties in the first five years of the company's operations meant that costs and resources could be effectively managed within the funding available.

b. Once the property portfolio had reached £4 million the company switched from using capital grants to fund developments to secured loans. A loan to value ratio of 35% is manageable for the company.

3) **Money**

a. £4 million of capital grant enabled Baltic Creative CIC to build a property portfolio capable of generating self-sustaining income over a period of 5 years.

b. £320,000 of revenue grant provided in the first 3 years provided the funding to get operations up and running and tenants recruited. All properties were fully let by the fourth year of operations and void rates have remained very low since given strong demand for space from tenants.

c. Since 2016, rental income has been sufficient to fund operations and service interest and capital repayments on loans.

d. Initial capital for development was provided by grant. Since 2017 the company has also taken on loans from social investors.

e. The company has been generating annual surpluses from 2019. The profit and loss reserve amounted to £277,000 in March 2022.

4) **Governance**

a. A strong, well qualified and diverse board.

b. A commitment to learning from collaboration with partners and tenant feedback.

c. Community interest company structure protects the assets of the company and ensures that any surpluses are used for the benefit of the creative and digital sectors.

## Baltic Creative CIC - Lessons Learned

The availability of capital grant from the start enabled Baltic Creative to develop enough property to generate a rental income stream sufficient to cover all the operating costs of the company and to fund business support and events to benefit their community of interest –creative and digital businesses.

A phasing of development over the first five years of operation, with operations funded by revenue grant, provided time for organisational capacity to be built at a pace that was manageable and enabled a track record of successful asset and income growth to be established. By the time all the grant funds had been used, the company had a strong balance sheet and a consistent operating history that gave social lenders the confidence to lend for further development.

As with the Granby area and the Granby Four Streets Community Land Trust, the Baltic Triangle has benefited from much development activity since the formation of Baltic Creative CIC. The area now supports over 350 creative and digital businesses and there have been significant public realm works to improve the street environment. In 2009, the Baltic Triangle area had suffered decades of economic decline as port related activities had moved elsewhere in the city and "the replacement uses over time have increasingly been of a much lower value and appeal". (Liverpool Vision, 2008) At that time the main use within the Baltic Triangle was light industrial and warehousing.  By 2020 there was 12,600 square metres of office space, 5,700 square metres of creative workspaces, a university technical college and studio school, and 2,500 residential units in the pipeline. In 2023 the still increasing residential offer – completed and in development - includes private and social housing with the 505 apartment Legacie Parliament Square building being the first tower block to be built in the Baltic Triangle. The area is now a highly desirable place to live and work and that has meant that Baltic Creative CIC is now seeking growth opportunities elsewhere in the Liverpool City Region as availability of affordable space in the Triangle diminishes. It could be argued that Baltic Creative is a victim of its own success.

# What can we learn from what social organisations say about property?

Kindred LCR, a community interest company that reinvests money, space and learning in Liverpool City Region's socially-trading economy has consulted widely on property issues with social organisations. Market research gathered from 110 socially trading organisations (STOs) and 25 support providers during Kindred's start-up period, and from annual reviews with investees, has revealed some important insights.

1) 65% of Kindred's 2021 investees have received some support to secure a building and 70% are looking for more space to grow. Lack of access to suitable premises is one of the most widely cited barriers to growth by STOs.

2) There is a desire and willingness to share space with like-minded organisations to maximise the use of existing property assets, and a recognition of the mutual benefits in doing so. For this to happen efficiently there is a need for some sort of matching service or brokerage to enable those who have spare space to find those who are looking for premises and for suitable terms to be agreed.

3) There is frustration with the amount of rent being paid to external landlords for premises and a desire to redirect those funds either as rent payments to social organisations with similar values and motivations, or to pool funds to finance a shared property purchase or mortgage. There is a recognition that by acting together social organisations can increase collective ownership of assets for community benefit - owned by the sector, for the sector; easy in/easy out; affordable and not for profit, reinvesting surplus in the sector; spreading the cost of building management functions across more than one organisation.

4) Social organisations can create value for property owners, but this is frequently not acknowledged or valued. There is an opportunity for an advocacy role to articulate the social and commercial value generated by social organisations when they occupy properties and for this value to be considered in the terms of leases and rental agreements. Such a role would be a source of property expertise and advice to the STOs and would provide evidence to landlords that social organisations are good tenants able to add value to a property and place.

5) With space to expand, grow and cluster social organisations will deliver new activity, place identity and community. Social organisations can use space that others don't want any more, for example, pubs, retail, warehousing, and they often cluster in areas of high deprivation and low property values, adding value as they trade and grow.

6) Property is a specialist area and social organisations would benefit from access to affordable expertise, particularly in relation to advice on when to take a building and when not; rent or buy; negotiating terms with landlords; asset transfers; property valuations.

# Pulling it all together

We have highlighted four essential factors which all contribute to the success or otherwise of community asset projects:

- People.
- Property.
- Money
- Governance

Figure 20 summarises the key learning points we have taken from the case studies shown in this report and our wider research.

*Figure 20* **Summary of critical factors for community asset projects**

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

*Figure 20* **Summary of critical factors for community asset projects**

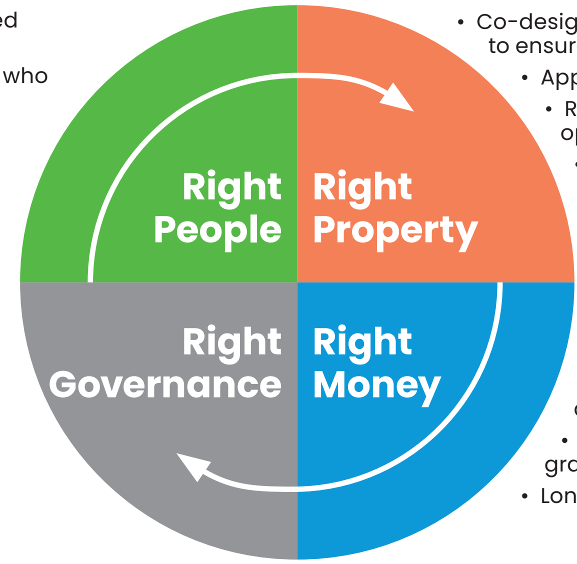
| Money ✓ | Money ✗ | Governance ✓ | Governance ✗ |
|---|---|---|---|
| Capital grants available to meet most or all of development costs | Little or no capital grant available to fund development costs. Loan to value ratios too high to be sustainable | Carefully defined objects and governance arrangements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

# A Blueprint for Successful Community Asset Ownership

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

*Figure 21* **Blueprint for successful community asset ownership**

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




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

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

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

# Recommendations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Baltic Triangle Area Case Study

## Introduction to The Baltic Triangle

The Baltic Triangle is in a pivotal area of Liverpool, situated between the Waterfront, the City Centre, Liverpool One and the Ropewalks area. This analysis focuses on the area bounded by Liver Street, Park Lane, Parliament Street and the Strand/Wapping, Liverpool as shown in Figure 22. The Baltic Triangle Strategic Regeneration Framework (SRF) shown in Figure 1 includes an expanded area incorporating Cains Brewery and the surrounding neighbourhood south of Parliament Street. Baltic Creative CIC's Northern Lights development is situated next to Cains Brewery. Except for Northern Lights, the expanded area is not included in this analysis as the SRF was only approved in 2022.

The Triangle gets its name from the many companies that were based in the area which traded with the Baltic countries during Liverpool's maritime heyday. The area was historically a thriving industrial area used to transfer goods from the docks. It was heavily bombed during the Second World War and partially rebuilt in the post-war period, but the advent of containerisation meant that the city and the Baltic Triangle suffered a sharp decline from the 1970s onwards. Many of the warehouses in the area became derelict and the traditional industries that once operated there declined.

From 2005 onwards the fortunes of the area slowly began to improve led by the live music scene. Liverpool's European Capital of Culture year in 2008 was a catalyst for extensive regeneration across the city and played an important part in stimulating demand for large spaces to host events, art installations and performances close to the city centre. (Historic England, 2018)

One of the first buildings in The Baltic Triangle to be re-used as a creative venue was a Grade II listed building on Parliament Street which was established in 2007 as Elevator Studios. This venue provides a collaborative work and leisure space, offering 90,000 square feet of space which is used for music production, art, technology, games companies and independent businesses. (Elevator Studios, 2023)

While there are a handful of listed buildings in the Baltic Triangle, notably the Swedish Seaman's Church, the Baltic Fleet pub, 45-51 Greenland Street (now owned by Northern Schools Trust and operated as The Studio School Liverpool and Liverpool Life Sciences UTC), and Heap's Rice Mill, most of the buildings in the area are light industrial units and so of little or no heritage value.

Baltic Creative Community Interest Company (Baltic Creative) was established in 2009 as a vehicle to acquire and manage several large warehouses in the Baltic Triangle area for the explicit purpose of incubating creative and digital businesses. A more detailed case study of Baltic Creative is provided on pages 35 to 37 of this report. This analysis aims to show the extent to which Baltic Creative has so far succeeded in achieving its Objects, as stated in the incorporation document. These include:

1) To promote economic growth in the creative and digital industries including acquiring office and workspace and making it available to the C&D sectors at affordable rates.
2) To develop and sustain premises within the Baltic Triangle area, where the C&D sectors can prosper.
3) To promote economic growth through increased business sales, new jobs, and new business ventures.
4) To work with stakeholders to develop the Baltic Triangle area as a national and ultimately international centre for the C&D sectors.

The Baltic Triangle has been dubbed: "the cultural quarter", "the city's workshop", "Liverpool's answer to New York's Meat-Packing District", "the creative playground". (Liverpool Baltic Triangle, 2023) It has been named the coolest place to live in Liverpool and consistently ranks highly in national polls – most recently rated fifth overall in a national poll to find the top 50 coolest place to live in the UK. (Bonner, 2023)

So, anecdotal evidence suggests that the Baltic Triangle is a success. What do the data say?

## The Baltic Triangle in Numbers

In May 2023 there were 1013 active companies registered at postcodes in the Baltic Triangle area. Most businesses operating within the Triangle are located at one of four large centres of business or landlords – The Queens Dock Commercial Centre, HubSquared, Elevator Studios, or Baltic Creative.

Baltic Creative is the single largest commercial landlord operating within the Triangle. According to their CIC34 Community Interest Company Report for the year ending March 2022, Baltic Creative supports over 180 companies by providing workspaces and business support services. (Baltic Creative Community Interest Company, 2022) Companies House data shows that many more companies – almost 460 - have their registered addresses within Baltic Creative postcodes.

*Figure 22* **The Baltic Triangle area** (Liverpool City Council , 2020)

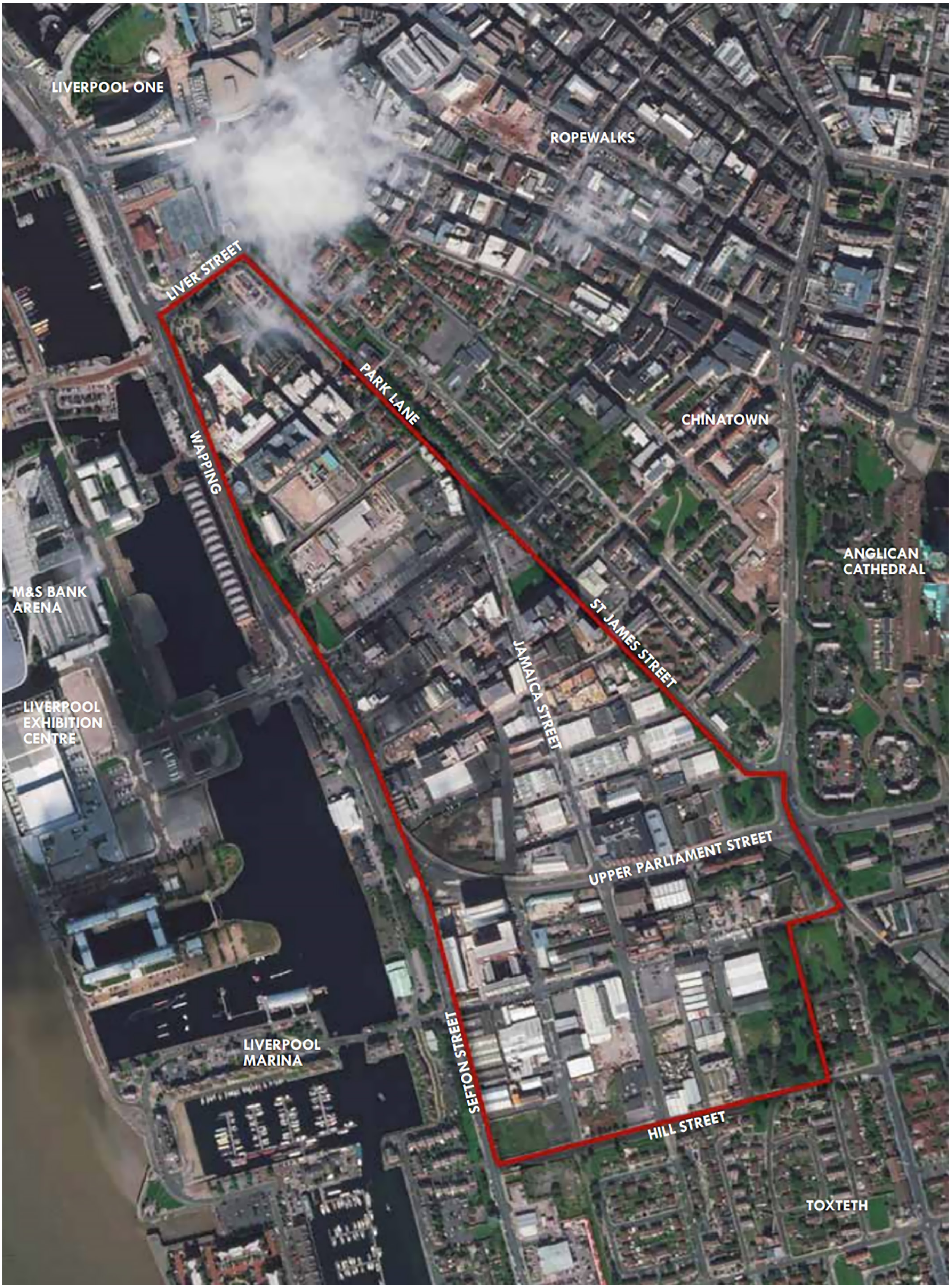


*Figure 23* **The number of active companies in the Baltic Triangle** (Companies House, 2023)

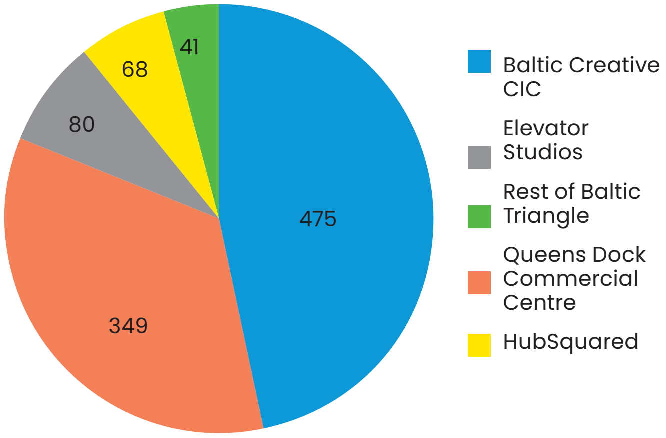



Figure 23 shows the number of companies registered at postcodes within the Baltic Triangle which are categorised as 'active' by Companies House.

Baltic Creative has redeveloped and operates several different premises in the Baltic Triangle. Figure 24 provides details of each property including the development cost, number of tenant spaces as identified by Baltic Creative, and the number of companies registered at each according to Companies House records.

This analysis uses the postcode of each company's registered address to locate companies. Where businesses are in buildings that share a postcode with a Baltic Creative property, but which are not operated by the CIC, then we may erroneously count them within the Baltic Creative cohort. We have tried to ensure accuracy in our data, but some overlap may be inevitable for postcodes which are not unique to Baltic Creative premises.

We can see that around half of Baltic Creative's currently available space was completed in the initial wave of development and opened in 2012. After a four-year period of no new openings, a further four properties were completed adding over 73,000 square feet to Baltic Creative's total space.

With Baltic Creative reporting just 4 units available in their Northern Lights property at the end of May 2023 occupancy rates are at 98%, suggesting that workspaces are being offered at affordable rates, in line with the CIC's Objects. (Baltic Creative CIC, 2023)

**Business Formation**

To see how well Baltic Creative has done in promoting economic growth within the Baltic Triangle we have looked at data which shows the rate and extent of new business formation.

Figure 25 shows a breakdown of all businesses created with registered addresses in Baltic Creative, Baltic Triangle and Liverpool postcodes by incorporation date – a measure of total business formation over time. This data set includes both active and inactive businesses. Businesses are recorded as 'inactive' at Companies House for a variety of reasons – proposal to strike off (voluntary or compulsory) is the formal process for removing the company from the register; businesses that have been removed from the Companies House register are dissolved; some businesses have converted to another form of company that is not included on the Companies House register such as community benefit societies or co-operatives. Liverpool is denoted by all postcodes with an 'L' prefix. This includes some areas that are in other Liverpool City Region boroughs such as Knowsley and Sefton. We include it here to provide local context.

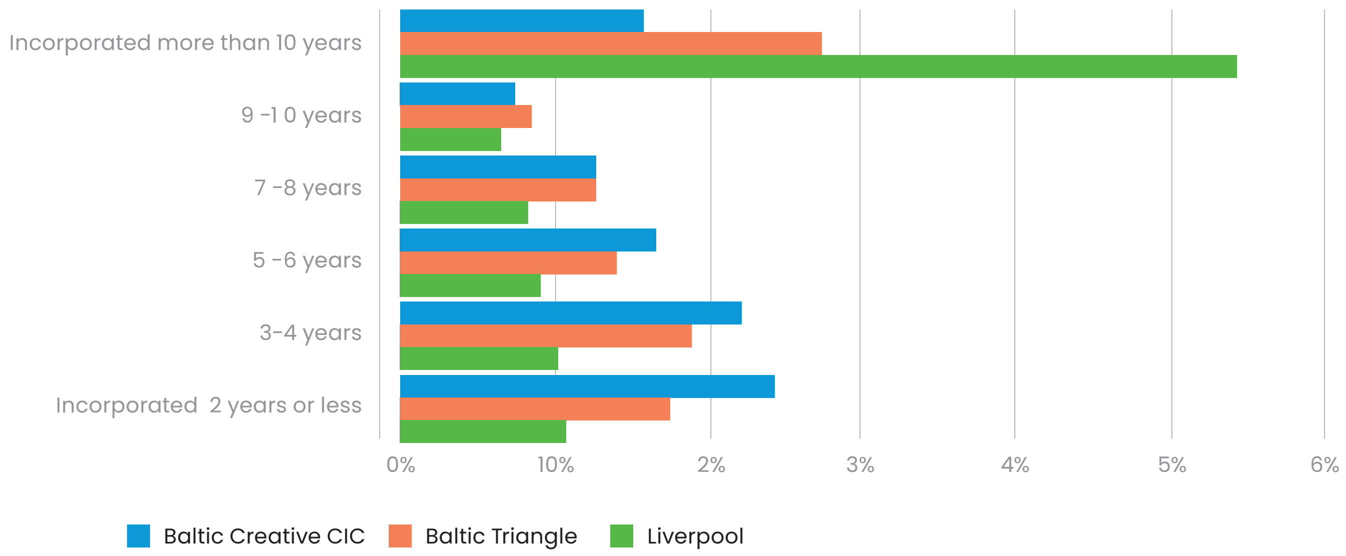
Several things can be deduced from Figure 25:

1) The Baltic Triangle has been a more dynamic area than Liverpool over the last decade in terms of the formation of new businesses. Over half of all the businesses created in Liverpool were incorporated more than 10 years ago. The equivalent figures for the Baltic Triangle and Baltic Creative are 27% and 16% respectively. As Baltic Creative only opened to its first tenants from 2012 then we would expect to see a much smaller share of decade-old or more businesses in these postcodes. Nonetheless, there were businesses operating in the area prior to Baltic Creative's formation and it is notable that most of the companies currently operating in the postcodes where Baltic Creative has properties were incorporated since the CIC opened its doors

*Figure 24* **Baltic Creative CIC properties** (Baltic Creative CIC & Companies House)

| **Name** | **Completed** | **Dimensions (sq ft)** | **Development Cost** | **Number of Spaces** | **Registered Companies** |
|---|---|---|---|---|---|
| Digital House | Apr-19 | 17,000 | £3,000,000 | 17 | 45 |
| Northern Lights | Jan-17 | 45,000 | £400,000 | 22 | 20 |
| 22 Jordan Street | Sep-16 | 5,300 | £200,000 | 8 | 56 |
| 16 Jordan Street | Jun-16 | 5,800 | £190,000 | 9 | |
| 46 Jamaica Street | Nov-12 | 3,500 | £300,000 | 5 | 28 |
| 49 Jamaica Street | Nov-12 | 17,000 | £1,400,000 | 18 | 228 |
| Workshop Warehouse Units | Nov-12 | 45,000 | £2,200,000 | 44 | 98 |
| **Baltic Creative CIC Total** | | **138,600** | **£7,690,000** | **123** | **475** |

*Figure 25* **Percentage share of businesses in Baltic Triangle postcodes by age** (Companies House, 2023)



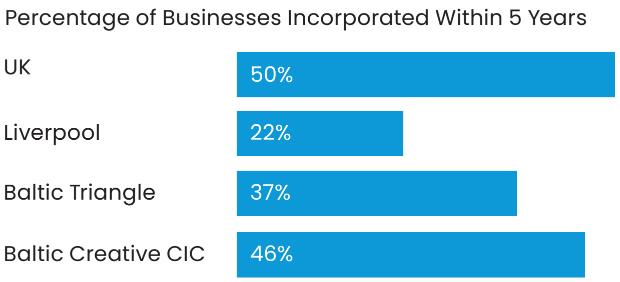

to tenants. Companies House data show that 28% of all businesses on the register were incorporated over a decade ago, meaning that Liverpool has a much higher proportion of older businesses and Baltic Creative much lower than the national average. (Companies House, 2022)

2) Over the last 8 years both Baltic Creative and the Baltic Triangle area have seen a much faster rate of company formation than the wider Liverpool area, with Baltic Creative faster than the rest of the Baltic Triangle. Almost half of all companies operating in Baltic Creative postcodes were formed within the last 5 years. That compares with around one third for the rest of the Triangle and one fifth for Liverpool. The UK average is 50% – see Figure 26.

3) The pace of new company formation has increased for all areas over the past decade, but the acceleration is especially marked for Baltic Creative postcodes. 9 to 10 years ago all three of the areas in our analysis saw new company registrations of around 8% of the current number of outstanding businesses. Within the last 2 years, Liverpool has seen its rate of incorporation rise to 11% while Baltic Creative has registered 24% and the rest of the Baltic Triangle is at 18%; that's roughly an annual rate of 5.5% for Liverpool, 9% for Baltic Triangle and 12% for Baltic Creative. According to the latest data from the Office for National Statistics, comparable annual figures for the UK were 12.4% in 2021 and 11.5% in 2020. (Office for National Statistics, 2022)

Not all businesses survive so it is important to look at the net position as well as gross – the number of companies registered less those that are no longer operating. We do this by tracking those businesses that have been incorporated and remain active, according to Companies House records, and subtracting the number of businesses that were established within the same period but are no longer active. That gives us a figure for net business creation

*Figure 26* **Businesses in the Baltic Triangle incorporated for fewer than 5 years** (Companies House, 2023)




which we then compare to the total number of active businesses. The results are shown in Figure 27.

This shows that all areas have recorded net business creation of between one third and one quarter within the last 2 years. It is important to note that the five-year survival rate for UK businesses formed in 2016 is 38.4% (Office for National Statistics, 2022), meaning that many of the companies that have been active

*Figure 27* **Net new business formation in the Baltic Triangle** (Companies House, 2023)

| **Net Business Creation % of All Active Businesses** | **Liverpool** | **Baltic Creative CIC** | **Rest of Baltic Triangle** |
|---|---|---|---|
| Incorporated 2 years or less | 24% | 32% | 25% |
| 3 - 4 years | -3% | 2% | -4% |
| 5 - 6 years | -9% | 12% | -11% |
| 7 - 8 years | -12% | 0% | -14% |
| 9 - 10 years | -12% | -2% | -13% |
| Incorporated more than 10 years | -141% | 0 | -68% |

within the last 2 years will not make it to 2026 but they have not yet failed or become inactive.

Both Liverpool and the Baltic Triangle have seen more businesses become inactive than new companies formed within each period except the most recent, so their net business creation rate has been consistently negative. The picture for Baltic Creative is very different with only one period of negative net business creation within the last decade. It is impossible to say from the data available for this study why this might be, but it is worth noting that Baltic Creative's Objects also include the fostering of networks, collaborations, and clustering activities between and amongst the creative and digital sectors, as well as ensuring the provision of business development support to Baltic Creative tenants. Is the net business creation data picking up positive impact of Baltic Creative's networking and peer-to-peer support offer?

**Sector**

Baltic Creative was formed specifically to benefit those working in the creative and digital industries. We can monitor this by looking at data on sector distribution – see Figure 28.

*Figure 28* **Number of companies in the Baltic Triangle by sectoR** (Companies House, 2023)

| **Baltic Triangle Number of Companies by Sector** | **Number of Companies** |
|---|---|
| Professional, Admin & Support | 271 |
| **Creative & Digital** | **214** |
| Manufacturing, Utilities & Construction | 128 |
| Wholesale, Retail, Auto & Transport | 119 |
| Financials & Real Estate | 118 |
| Other | 58 |
| Education, Health & Social Care | 56 |
| Accommodation & Food Service | 49 |
| **Total** | **1013** |

Figure 28 shows that C&D sectors are the second largest grouping for all companies operating within the Baltic Triangle. We have defined C&D as including all companies that have their primary UK SIC 2007 code (the current Standard Industrial Classification used in classifying businesses in the UK) within the information and communication (section J) and arts, entertainment, and recreation (section R) categories.

Figure 29 provides a more detailed sector breakdown for each of the main business hubs within the Baltic Triangle as well as national and regional comparative data.

Figure 29 shows that the Baltic Triangle does have a much higher incidence of businesses within the C&D sectors than other areas – 21% vs around 13% averages elsewhere.

*Figure 29* **Percentage share of creative and digital businesses** Office for National Statistics, 2022) (Companies House, 2023)

| **Percentage of Companies** | **Information & Communications** | **Arts & Entertainment** | **Creative & Digital** |
|---|---|---|---|
| England | 8% | 6% | 14% |
| North West | 5% | 6% | 12% |
| Merseyside | 5% | 8% | 13% |
| Baltic Creative CIC | 18% | 3% | 21% |
| Elevator Studios | 50% | 21% | 71% |
| Queens Dock Business Centre | 10% | 2% | 12% |
| HubSquared | 4% | 3% | 7% |
| Rest of Baltic Triangle | 17% | 7% | 24% |
| **Baltic Triangle Total** | **17%** | **4%** | **21%** |

Interestingly, each of the business hubs that operate within the Baltic Triangle appear to have their own distinct characters when it comes to sector specialisms:

- Elevator Studios is easily the most heavily weighted towards C&D sectors with half of their businesses from the information and communication sectors and 21% in arts and entertainment.
- Queens Dock Business Centre has a slight overweight position in C&D but is most heavily overrepresented in financials and real estate.
- HubSquared has only around half the average weighting in C&D sectors and has much higher percentages of businesses than regional or national averages in the financials, professional, administration and support sectors.
- Baltic Creative has around three times the average weighting in companies from the information and communications sector, but only around half the weighting in arts and entertainment. So, while Baltic Creative's mission is to support the creative and digital sectors, in terms of the businesses registered within its postcodes there are significantly fewer arts-related organisations than digital – 12 companies in arts and entertainment, 82 companies from the information and communications sector.

To try to assess how well Baltic Creative achieved its objectives of promoting economic growth within the Baltic Triangle, especially of the C&D sectors, we looked at the number of companies established during the different phases of the area's development. We have identified four separate periods:

1) **Before 2007** – prior to the formation of Elevator Studios. In our data set this includes organisations that were incorporated as far back as 1902.
2) **2007 to November 2012** – Elevator Studios in operation; Baltic Creative incorporated but no properties completed.
3) **December 2012 to November 2017 –** the first five years of Baltic Creative operations; all properties except Digital House open to tenants.
4) **December 2017 to December 2022 –** the second five years of Baltic Creative operations; all properties open to tenants.

Figure 30 shows the number of businesses operating within the Baltic Triangle that were incorporated within each of these phases by sector. There is a clear increase in the number of companies in both the creative and digital sectors as well as in the overall number of businesses formed in the periods following the opening of Baltic Creative's properties to tenants. While it is not appropriate to attribute all the new business formations to the establishment and operation of Baltic Creative the data does show that there has been a material increase in the pace of company incorporations in the decade following the CIC's properties becoming available for rent.

*Figure 30* **Company formation in the Baltic Triangle by incorporation date**

| Number of Businesses | Creative | Digital | All Companies |
|---|---|---|---|
| Pre-Elevator Studios<br>*Incorporated before 2007* | 4 | 11 | 42 |
| Elevator Studios & Pre-BCC<br>*Incorporated Jan 2007 to Nov 2012* | 5 | 20 | 75 |
| First 5 Years Post-BCC<br>*Incorporated Dec 2012 to Nov 2017* | 14 | 37 | 219 |
| Second 5 Years Post-BCC<br>*Incorporated Dec 2017 to Dec 2022* | 20 | 103 | 677 |

## Company Type

The different characters of the business hubs can also be seen in the types of company that are registered at each, although here the distinctions are more marginal.

As a community interest company, Baltic Creative has a clear mission embedded within its governance arrangements to use their profits and assets for the public good – in their case, people working in the creative and digital industries of the Liverpool City Region. Baltic Creative is a company limited by guarantee and, as such, no surpluses can be distributed outside the company and must be used for the benefit of the community of interest. If the CIC is wound up then any residual assets will be transferred to Liverpool Charity and Voluntary Services, a registered charity, under the terms of the asset lock.

According to the CIC Regulator there were over 26,000 community interest companies (CICs) registered in the UK and 3200 in the North West as of March 2022. (CIC Regulator, 2022) That is around 1% of the total number of businesses nationally and regionally. (Office for National Statistics, 2022) Figure 31 shows that 4% of the companies registered at Baltic Creative postcodes are CICs, with 3% of the total for the rest of the Baltic Triangle, and just 1% of the businesses at the Queens Dock Commercial Centre.

A company limited by guarantee (CLG) has no shares or shareholders and this is a structure generally used by not-for-profit organisations, social enterprises, or charities – organisations with a social mission. 2.6% of all corporate bodies registered in the UK are CLGs so the Baltic Triangle area is slightly underrepresented when it comes to this company type. (Companies House, 2022) Taking CICs and CLGs together, Figure 31 shows that the Baltic Triangle generally has a slightly higher share of pro-social businesses when compared with the UK average. The one exception is HubSquared whose businesses are 100% companies limited by shares.

*Figure 31* **Baltic Triangle businesses by company type** (Companies House, 2023)

| Percentage of Companies by Type | Baltic Creative CIC | Queens Dock Commercial Centre | Elevator Studios | Hub-Squared | Rest of Baltic Triangle |
|---|---|---|---|---|---|
| Community Interest Company | 4% | 1% | - | - | 3% |
| Limited Liability Partnership | - | - | 3% | - | - |
| Private limited by guarantee, no share capital | 2% | 2% | 1% | - | 2% |
| Private limited with share capital | 94% | 97% | 96% | 100% | 95% |

## Jobs

Information on the number of employees working for businesses registered within the Baltic Triangle is, unfortunately, rather limited. Some businesses do report the number of employees as part of their annual accounts submitted to Companies House, but there is no requirement to do so for small companies and most do not. In our data set of 1013 active companies in the Baltic Triangle, 670 of them did not report any data for employee numbers. Figure 32 shows a breakdown of employee numbers as disclosed in annual accounts for the different entities operating in the Baltic Triangle – 'Reported Employees'. We know that many of the businesses that do not report employee numbers in their accounts will employ at least one person. Where no disclosure on employees is made, we have included an estimate of what these numbers might be by assuming that every business that has not reported employee numbers employs one person – this is shown in the 'Calculated Employees' column.

*Figure 32* **Number of people employed in the Baltic Triangle** (Companies House, 2023)

| Employment in Baltic Triangle | Reported Employees | Calculated Employees |
|---|---|---|
| Baltic Creative CIC Total | 766 | 1062 |
| Queens Dock Commercial Centre | 415 | 667 |
| Elevator Studios | 650 | 712 |
| HubSquared | 148 | 178 |
| Rest of Baltic Triangle | 144 | 173 |
| **Baltic Triangle Total** | **2123** | **2792** |

Given the Baltic Triangle's emphasis on C&D sectors we would expect to see a higher proportion of people employed in these sectors than in others. That is indeed the case.

Figure 33 shows data for the percentage share of the number of companies (blue bars) and the percentage share of the reported number of employees (orange bars) by sector.

The employment share is much higher than the company share for digital, information and communications, arts, entertainment and recreation, and accommodation and food service:

- Digital, information and communications - 17% of all Baltic Triangle companies, 31% of reported employees. The UK average share of companies for this sector is 9% and less than 5% for employees.
- Arts, entertainment, and recreation – 4% of companies, 14% of employees. UK averages are 2% and less than 3% respectively.
- Accommodation and food service – 5% of companies, 8% of employees. That's in line with UK averages for both the number of companies and employee. (Office for National Statistics, 2022)

In other words, Baltic Triangle companies punch considerably above their weight when it comes to the number of people employed in the creative and digital sectors.

## Baltic Triangle Area Conclusions

We aimed to find out the extent to which Baltic Creative CIC has been successful in achieving its Objects of (among other things) promoting economic growth in the creative and digital sectors and to develop the Baltic Triangle area as a national centre for these sectors. We have found:

*Figure 33* **Baltic Triangle share of companies and employment by sector** (Companies House, 2023)

1) Baltic Creative has made available over 138,000 square feet of office and workspace in several parts of the Triangle since 2012. A current occupancy rate of around 98% shows that demand remains high for Baltic Creative's property.
2) Baltic Creative is the largest single provider of space within the Baltic Triangle when measured by the number of companies with their registered address at postcodes in which Baltic Creative operates - there are currently 475 active companies.
3) Baltic Creative has a faster rate of new company formations than Liverpool and the rest of the Baltic Triangle and in line with national averages. Once business failures are considered Baltic Creative has a much stronger record on net business creation too.
4) Baltic Creative has been very successful at providing space for businesses operating within the digital, information and communications industries, but less so when it comes to arts and entertainment companies. Despite a very high proportion of companies in the arts sectors being based at Elevator Studios the Baltic Triangle remains underweight in arts and entertainment companies. It is beyond the scope of this study to explore this further, but it may be an interesting topic for future research.
5) There has been a notable increase in the pace of new company incorporations within the Baltic Triangle in all sectors since Baltic Creative opened for business and began making space available to tenants. While Baltic Creative's focus is C&D sectors, the increase in the number of businesses operating in other sectors has been much greater – a four-fold increase in the number of creative businesses, five-fold for digital companies, nine times for non-C&D organisations.
6) Baltic Creative is the most pro-social of the business hubs/landlords operating within the Baltic Triangle. The proportion of community interest companies active in the Triangle is around four times national averages, but still a very small number in absolute terms.
7) The Baltic Triangle is a very significant employer within the creative and digital sectors. Companies registered at Baltic Creative postcodes employ the most people – reported at over 750 but this is almost certainly an understatement. The true figure for jobs could be over 1000.

## The Baltic Triangle as a Beacon for Business Clusters

The Baltic Triangle has become the epicentre of Liverpool's social, cultural, and economic renaissance and central to the city's place in the fourth industrial revolution. A truly 'rags to riches' tale. The area is multi-faceted in so many ways and has become synonymous with economic growth(particularly in the tech, design and creative industries), arts and culture, music festivals, café culture, leisure and tourism, street art and gallery space as well as a varied food and drink offer. (Baltic Triangle Area CIC, 2019)

Clusters of businesses such as the C&D companies in the Baltic Triangle create an ecosystem where all the participants benefit from their proximity to each other, providing the potential for collaboration, knowledge sharing and partnering. The success of these organisations helps raise the profile of the ecosystem as a whole: over time, businesses begin to invest in nurturing talent in the local community, as well as attracting workers and investment to the region. In the Baltic Triangle the business ecosystem also extends to education with The Studio School Liverpool and Liverpool Life Sciences UTC located in the former Contemporary Urban Centre since 2013.

Once the businesses become established then the eateries, coffee shops, hotels and bars follow. The residential developers were not far behind, and the Baltic Triangle now has in-progress or completed projects providing student lets, rent to buy homes, and high-rise apartments. Over 1000 apartments have been built since 2012 and there are plans for at least 3000 more. (Liverpool Echo, 2022)

The Baltic Triangle is proof that it is possible to transform what was once a run-down post-industrial area into a thriving mixed-use business, social and residential community within a decade or so given the right access to property, investment, and people.

It is not possible to say from the data we have gathered the extent to which the evolution of a C&D business cluster in the Baltic Triangle can be attributed directly to the formation and activities of Baltic Creative. However, the data do clearly show a significant increase in the number of companies operating in the area in the decade following the establishment of Baltic Creative. Furthermore, the economic benefits extend beyond the C&D sectors, with the pace of growth in the number of companies in other sectors being twice that of the creative and digital firms. Does this provide prima facie evidence of a multiplier in operation whereby the establishment of a cluster of C&D businesses stimulates wider economic activity across all sectors? More research is required to answer this question.

The growth potential of clusters ultimately depends on people – business leaders, local politicians and investors – taking a chance on a place and the opportunities there and harnessing its assets and resources over time to create a unique and dynamic hub of national and international significance. (Confederation of British Industry, 2023)

It has been done once in the Baltic Triangle led by creative and digital businesses. There is no reason given the will and appropriate resourcing that it cannot be done elsewhere in the Liverpool City Region with other sectors leading the way. We believe that there is much potential to create and support one or more social economy led clusters around the region.

# Conclusion

The Liverpool City Region has a rich history of innovating around community asset ownership and regeneration. Five out of our six case studies come from the Liverpool City Region, and we could have chosen more.

The first part of this research project made the case that reallocating a small portion of the region's assets that are currently held by anchor institutions would bring significant benefits to LCR's communities, social organisations, and the wider economy. While this may appear to some asset owners that we are asking them to give up something, our argument is that by asking anchor institutions to co-invest with community and social organisations – whether that be property, money, or expertise – then we will together achieve a productivity improvement by ensuring that the region's assets are used as effectively as possible. By providing access to suitable land and property our anchor institutions can support the growth of high potential social economy organisations and, in doing so, generate economic growth and social impact.

The case studies in this report have provided some dos and don'ts for how to undertake asset transfers and to make them work.

The Baltic Triangle area case study shows what can be achieved in economic, social, and spatial terms when targeted investment is used to kick start business clusters even in apparently unpromising places. While public money can provide crucial catalytic capital successful schemes will be able to take on funding from a variety of sources including private sector and social investors.

With a bit of imaginative thinking and a will to succeed we believe that the Liverpool City Region already has the people, property, money, and governance expertise needed to transfer assets which are currently underutilized into community hands for the benefit of all. We have made some recommendations for how this might work, and we look forward to discussing these further.

# Appendix – Research Methodology

This research has used financial data reported to Companies House on an annual basis by incorporated businesses which operate within Liverpool City Region. Data for mutual registered societies was gathered from annual reports filed via the Mutuals Public Register. Information on charitable incorporated organisations (CIOs) was taken from annual reports and accounts posted on the Charity Commission for England and Wales website. Data was collected on variables showing tangible fixed assets (property and equipment), net assets, income, employment, legal status, date of incorporation, sector (SIC 2007 code) and registered office postcode.

The use of annually reported financial data from these sources addresses a well-recognised problem across the social economy and civil society – an absence of good quality data available on a timely basis and of comparable quality to similar data sets. Our study does not include any unincorporated or unregistered organisations.

This approach has been used in previous work by the authors:

- Heap, H., Southern, A. (2021) Financial analysis of the Liverpool City Region community business market. London: Power to Change (Heap H. a., 2021).
- Heap, H., Nowak, V., Schwaller, E., Southern, A. and Thompson, M. (2019) Growth, sustainability, and purpose in the community business market in the Liverpool City Region. London: Power to Change (Heap H. N., 2019).
- Heap, H., Southern, A. and Thompson, M. (2017) The Scale, Scope and Value of the Liverpool City Region Social Economy. Heseltine Institute for Public Policy and Practice, University of Liverpool (Heap H. S., 2017).

Our previous work in this field was based on the following objectives:

- Provide high quality market intelligence on the scale and scope of the social economy in the LCR that could be used as a national and international benchmark.
- Evidence of best practice from elsewhere, examples of work by social organisations that could inform the way the social economy in the LCR develops.
- Establish an approach to understanding the social economy in the LCR from which future research and knowledge exchange can be developed.

This deep dive into the asset ownership of social organisations will enhance existing knowledge of the social economy of the LCR and should be useful for practitioners, policymakers and other researchers interested in the social and economic value of the social economy.

Specifically:

- As a resource for the Liverpool City Region Metro Mayor, the Combined Authority, individual local authorities, and others interested in providing specific support to community led asset ownership initiatives in particular geographical locations or social outcome areas.
- For anchor institutions, particularly housing associations, and universities, as well as large charities and social enterprises looking to support smaller or less well-resourced social organisations in their efforts to secure assets for use by the community.
- For community groups seeking to cooperate with others providing similar or complementary services to deliver social impact.
- For investors and funders looking to support community groups to secure premises for their work in particular sectors, categories, or geographic locations.
- For researchers, academics and consultants interested in understanding the social economy and community asset ownership in more detail.

We categorised LCR's social economy organisations in two groups:

3) **Anchor Institutions** – housing co-operatives; housing associations, schools, colleges, and universities.
4) **Third Sector Organisations** – community interest companies (CICs), charitable incorporated organisations (CIOs; the largest 40 only), companies limited by guarantee, registered charities, registered mutual societies.

The anchor institutions are included as a separate category because, while they all have a social mission embedded within their corporate governance, they are typically very much larger than third sector organisations. Including them in the dataset alongside third sector organisations would skew the numbers and make meaningful analysis difficult.

Information was taken from the most recently published annual accounts filed by each organisation. This data was used to provide analysis of the ownership of assets across the social economy. This included:

1. Distribution of assets by age of organisation
2. Distribution of assets by sector

3. Distribution of assets by size of organisation
4. Distribution of assets by type of company
5. Distribution of assets by geography – LCR Borough, IMD decile

Analysis of the data enabled us to attempt to understand and quantify the likely demand and investment requirements for community led asset ownership within LCR.

We also examined the number and characteristics of all companies that are currently operating within the postcodes of the Baltic Triangle area (the area bounded by Liver Street, Park Lane, Parliament Street and the Strand/Wapping, Liverpool).

As most of the businesses included in the Baltic Triangle Area analysis are micro-entities or small companies their financial reporting requirements are limited to simple 'abridged' accounts that meet statutory minimum standards. Financial data has not been available with sufficient quality or consistency to enable meaningful analysis for this report.

Our analysis does include:

1) Data showing how many businesses were incorporated and operating in the Baltic Triangle by year with a breakdown showing the main clusters of activity.
2) A sector analysis of all the incorporated businesses operating in the Baltic Triangle.
3) A breakdown of businesses operating in the Baltic Triangle by company type.
4) A snapshot of the number of people employed by businesses operating within the Baltic Triangle.

The six case studies examined for this project have been identified by the researchers in consultation with members of the supervising Working Group based on knowledge gained from previous research and professional experience. Five of the case studies are in LCR, one is in London.

The case studies draw on analysis of annual accounts and other information reported to Companies House, content from company, local authority and regulator websites, articles in journals and print or online media, and other sources identified by the researchers. Where possible, data analysis has been supplemented by interviews with key individuals to establish notable factors in the history of the organisation with a particular focus on how ownership of property has supported growth (both annual income and social impact), or lack of access to suitable premises has hindered growth.

# About The Authors


**Helen Heap**

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

**Alan Southern**

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



**Acknowledgements**

Many people have contributed to this research. The authors would especially like to thank Erika Rushton, Danielle Cohen, Brian Dawe, Mark Gilbertson, Niamh Goggin, Grace Harrison, Alison Hill, Laurence Holden, Britt Jurgensen, Liam Kelly, Paul Kelly, Joanne Leek, Anne Lundon, Mike Morris, Adele Myers, Pete North, Maggie O'Carroll, Matthew Thompson, Jennifer Van der Merwe, Natalie White.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# About the Heseltine Institute for Public Policy, Practice and Place

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

For more information on the work carried out by the Heseltine Institute with local partners in Liverpool City Region, please visit
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