

Social Return on Investment in the Housing Sector

**A report by English Rural Housing Association
looking at social and economic value of its
investment in rural communities**



September 2013

“It was a presentation by Chris White MP, the promoter of a Private Members’ Bill about social value which inspired English Rural to be one of the first housing associations to set out to measure the social and economic impact of affordable rural housing. The Bill attracted all-party support and passed into legislation in 2012.

As will be seen from this report, our belief that the beneficial impact of small developments of rural affordable housing is substantial has been borne out by the conclusion of this project. We hope that it will help to encourage all those with a concern for the well-being of rural communities to persevere with the sometimes difficult path which has to be taken to provide much-needed affordable homes for the local people of England’s villages.”

Adrian Maunder English Rural’s Chief Executive

Contents

1. Introduction and Background	
2. About SROI	2
3. Being Transparent	
4. Scope	3
5. Focussing on what is material	
6. Involving Stakeholders	4
7. Data Collection	5
8. Understanding and Evidencing Change	6- 8
9. Valuing the things that matter	9
10. Impact	10
11. Social Return Calculation	11
12. Verifying the result	12-13
13. The Future of SROI and English Rural	14

Appendix 1 Case Study - Dadson Court Smarden Ashford Kent

Appendix 2 SROI Analysis

1. Introduction and Background

English Rural Housing Association is one of the leading providers of affordable rural homes. A staff of 18, governed by a multi-skilled Board of Management, works with a variety of partners to tackle the housing issues affecting rural communities. Success is dependent on close collaboration with a variety of organisations such as Parish Councils, Local Authorities, Rural Community Councils and Rural Housing Enablers to name just a few.

The Association's housing developments provide a mixture of homes for rent and shared ownership. The numbers in each scheme varies but, on average, consist of between 6-10 properties, the majority being two and three bedroom family homes.

Homes are currently being provided for in excess of 1000 households. This figure continually increases with approximately 50 new homes being built each year. Tenants neither have a Right to Buy nor a Right to Acquire whilst shared owners are unable to own more than 80% of the equity. These restrictions ensure that properties can never be lost to the open market and remain available for local people in perpetuity.

2. About SROI

Social Return on Investment (SROI) aims to increase social equality, environmental sustainability and wellbeing by changing how we determine value (SROI Network 2013)

Every day we all create or destroy value by the way we conduct ourselves and the actions we take. This in turn changes the world around us. Society has historically tended only to recognise the financial value of change, whereas in reality the changes we cause or effect have influence values beyond just financial. The consequence of this historic approach means that we are often making decisions that do not take into account much of the real value of change.

Social Return on Investment (SROI) gives us a framework for measuring and accounting for change and its much wider span of value. This project has used this wider framework to help understand the impacts of enabling people to live in their own village and to prove the real value in providing local homes for local people in rural areas.

3. Being Transparent

Identifying a standard approach to the assessment of impact and using the principles of SROI to guide judgement

This analysis has been carried out to the standard approach to SROI as documented by the UK Government Cabinet Office Guide to SROI (SROI Network 2009). The analysis was undertaken by English Rural staff in consultation with the Board Development Agency (BDA) which has no links with English Rural outside of this project.

Although SROI analysis uses monetary values to calculate the overall impact, judgement has been used within the analysis where complex social change cannot be easily accounted for. All judgements have been determined in line with defined SROI principles.

The results of this project will be used to inform part of English Rural's Value for Money Strategy.

4. Scope

Defining the objectives and boundaries of the initiative, what will be measured and the resources and activities used.

Geographical Boundaries

The SROI analysis focussed on one of English Rural's housing developments in the village of Smarden located in rural Kent. The development, Dadson Court, is a mixed housing scheme with 12 properties for both rent and shared ownership and is home to 28 local people.

The village of Smarden is typical of many rural villages in which English Rural develops homes. It was considered a suitable study area as it benefits from a number of local services, including shops, primary school and two public houses. By choosing a village with a range of services the project was able to consider the wider impact of the housing development beyond those who have benefitted from being housed in the development.

Aims and Objectives

To explore the Social Value of affordable housing developments in rural villages and demonstrate the impact English Rural's investment has on local communities.

Activities

Following the creation of 12 new homes at Dadson Court, 28 local people have been able to remain living within their local community, contributing towards local services such as the primary school, shop and social groups. In providing this development 12 households have been able to maintain their longstanding connections to the village whilst living in secure, affordable, well managed quality homes.

Through analysing the impact on residents and the local community following the development of Dadson Court, an evaluation of the social benefit of investment in the housing project can be determined.

5. Focussing on what is Material

Identifying key stakeholders who will influence or experience change as a direct result of the project.

In order to ensure all information used within the SROI analysis was relevant and significant, only key stakeholders have been consulted including residents, local business owners, the school and Parish Council. This has allowed the research to ensure that data came from reliable and specific sources and all changes were real and identifiable by stakeholders.

Although vast amounts of data was available from stakeholders, in particular from residents who each had a different perception of impact, the analysis focused on only those areas that were material in determining the social value of the housing development on the local community and this included:

- Specific outcomes relating solely to the provision of housing which would not have come about had the homes not been developed;
- Changes and impact that are already known from existing and similar projects;
- Direct financial impacts that can be readily measured.

Throughout the analysis some stakeholders and data collected was considered less relevant and project specific and this was discounted accordingly in the final calculations.

6. Involving Stakeholders

Determining the impact on stakeholders through gathering and analysing information directly from these existing key sources

A list of stakeholders was identified at the start of the project and through on-going research. These were then selected for inclusion in the analysis based on the most relevant and the level of material contribution they could make to the final evaluation. The list of stakeholders included in the research was as follows:

- **Residents of Dadson Court**

This group was considered to be the most relevant source of research and the stakeholders who could provide the most valuable data on the social impact of the development.

- **Schools**

In order for any village school to survive and thrive it is dependent on a continuous level of school aged children within the village. Many village schools have been forced to close as younger families move away and the demand for school places diminishes. Smarden Primary School was therefore included as a valuable stakeholder as the housing development at Dadson Court provided homes for families, offering those with school aged children additional opportunities to remain in the village.

- **Local Community**

This included the Parish Council, local residents of Smarden, local businesses in the village and other community activity groups.

- **Local Authority**

Ashford Borough Council was considered to be a major stakeholder, not only did it support the housing scheme throughout the enabling and development stages; but there have also been significant benefits to the Local Authority as a result of its completion.

Consideration was also given to including other stakeholders as part of the analysis such as the wider community of Smarden, Central Government and the Homes and Communities Agency and the Parish Council. It was decided however, that although there was marginal influence from these stakeholders it would have very little bearing on the overall social impact to be calculated and therefore would not be included in the detailed research.

7. Data Collection

Gathering data on the tangible results experienced by key stakeholders using both primary and secondary research methods.

Data was collected from key stakeholders to determine the achieved and projected results of the social impact of the housing development at Dadson Court. The table below shows each stakeholder group, how they were consulted and the main areas of impact that were investigated within each group.

Stakeholder	What we think may have changed for them	Method of research
Residents	<ul style="list-style-type: none"> - Returning to village to be close to family for support - Remaining in village close to family and friends - Security of tenure - Improved quality of home - Close to employment - Affordability 	Data received at application stage Data received at application stage Resident Survey Resident Survey Resident Survey Resident Survey
School	<ul style="list-style-type: none"> - Additional school aged children 	Data received at application/resident survey/school survey
Local Community	<ul style="list-style-type: none"> - Increased support networks - More trade for local businesses - Increased pool of helpers in village 	Resident Survey/DWP figures Residents Survey Residents Survey
Local Authority	<ul style="list-style-type: none"> - New homes bonus - Council tax retention 	CLG data LA data

8. Understanding & Evidencing Change

Theory of change – a specific and measurable description of a social change initiative that forms the basis for strategic planning, on-decision making and evaluation. (theoryofchange.org)

In understanding the change that stakeholders have experienced and identified as a result of the housing development at Smarden a final social impact assessment can be made. Using the data collection methods presented in the previous section, the following change outcomes were determined by key stakeholders.

Residents

Families have been able to stay in or return to the village, securing benefits from a good support network of family and friends. It has created a new 'pool of helpers' for the wide range of clubs and activities held in the village hall. Traditionally Smarden has had continuous generations of families living in the village and the provision of local needs housing has helped to ensure this tradition can continue. Living close to family has also identified additional benefits, adult residents have been able to return to education and seek local employment because of this scheme. As residents told us:

"I am hoping to get back into employment once I finish my training course. I wouldn't be able to do this if I hadn't moved back to the village and have my family close by to help out with childcare"

"Moving to Dadson Court has improved my life 100%. I now have a secure and good quality home and I can stay close to my family and friends"

"The whole family now have a much better quality of life. We are in a home we love, close to our family and friends and no longer feel isolated from the community we grew up in"



The Local Shop

The shop/post office has recently changed hands and been refurbished with improved facilities; critical to its survival is the support and regular use by local people. Smarden also benefits from a butcher and two pubs. Interviews with residents at Dadson Court show that in total they collectively spend around £274 per week on these services in the village – equating to £14,248 a year.



The Primary School

Smarden primary had previously reported declining pupil numbers because many local children were educated privately outside of the village. During the early stages of the development project, the Headteacher spoke publicly about the need to retain families in the village and encourage them to support the school. Since the homes were completed, Smarden primary school has become an Academy linked with another school in a neighbouring village and subsequently receives £4,000 per pupil per year. Therefore the seven children at Dadson Court, over the period of their primary education, will make a substantial contribution to the school's income. These are children who, if not for Dadson Court, might not have returned or been able to remain in the village.

The Local Authority

Ashford Borough Council was the local authority partner involved in supporting the Dadson Court development, which formed part of its broader programme of delivering similar projects in other villages across the borough. One of the driving forces behind this strategic

approach followed by Ashford Borough Council is the recognition that local needs housing contributes to rural sustainability and the wider rural economy. Delivering local needs housing is a key objective for the Council and there are currently nearly 350 local needs homes in 21 villages in the Borough – over 150 of these are owned and managed by English Rural.

From a local government perspective there are also some additional benefits that developments like Dadson Court bring to the local community and wider neighbourhood objectives. New local needs homes can help free up existing affordable housing in the community as people are able to move on to a new home that is more appropriate for their current housing needs. This is in addition to the income the Council Tax generated from the 12 new properties.

(The full report of the case study can be found in Appendix A)

The above evidence demonstrates the impacts of the development, defined as the positive long term effects on the lives of people and their environment. It also highlights the outputs of the project, which are more tangible and specifically intended; results such as the building of 12 houses and the creation of additional school places at the village primary school being examples of these.

9. Valuing the Things That Matter

A financial proxy is an approximation of value where an exact financial measure is impossible to obtain.

To calculate the final social return on investment value the qualitative evidence needs to be quantified in a way that presents a monetary value known as a financial proxy. The following table demonstrates how each financial proxy was determined.

Stakeholders	Intended/ unintended changes	The Outcomes (what changes)		
		Description	Indicator	Financial Proxy
Who will we have an effect on? Who will have an effect on us?	What do we think will change for them?	How would we describe the change?	How would we measure it?	What proxy did we use to value the change?
Residents	Family return to the village(or remaining)	People staying as opposed to leaving	Asking Residents	Disturbance and Home loss statutory payments
	Staying close to family	Improved Well being	Asking residents	What this was worth to residents in financial terms
	Security of tenure	Improved Well being	Asking residents	What this was worth to residents in financial terms
	Improved quality of home	Improved Well being	Asking residents	What this was worth to residents in financial terms
	Close to employment	Less travel, easier to get a local job	Asking residents	What this was worth to residents in financial terms
	More affordable	Saving compared to private rental	Asking residents	What this was worth to residents in financial terms
Schools	Children for school	Keeping school viable	Survey of school	Government fee per pupil
Local Community	Support network	1 person not needing care	Attendance Allowance	Attendance Allowance
	More trade Post office and 4 shops	Local people shopping locally	Residents survey	Average monthly spend
	Pool of helpers in village	3 people help out in the community	Survey	Minimum Wage
Local Authority	Council tax retention	Additional income	LA Data	LA Figures

(The complete analysis can be found in Appendix B)

10. Impact

The difference between the outcomes for participants, taking into account what would have happened anyway, the contribution of others and the length of time the outcomes last

The report has identified why each proxy was chosen and how the impact of each was measured. In order to demonstrate that no proxy has been over-claimed further considerations need to be given before the final social return calculation can be made. The

table in Appendix A demonstrates a deadweight value that will be deducted from each value, which ranges from between 0% to 100%. The deadweight value depicts a predicted percentage reduction to the overall social return had the activity not occurred.

If the 12 homes at Dadson Court had not been developed by English Rural how would this have affected families wanting to return to the village? In this example the deadweight was considered to be 40%, i.e. families would have a 40% less chance of being able to return to the village. This deadweight value was used as families may still have had other options available to them for returning to the village. Additionally another housing provider could have completed a similar housing project in the village had English Rural not done so. In this case it was agreed that there was still a chance that families would be able to return to the village without the development at Dadson Court; hence the deadweight value.

Deadweight reductions were considered against all outcomes in the final calculation and applied where necessary. Additionally further discounts to the figures were also considered:

- Displacement – would any existing activity be displaced as a result of the project?
- Attribution – who else would contribute to the change?
- Drop off – will the outcomes and impact reduce in future years?

Given the nature of the project and that social return calculations do not take into consideration capital expenditure, it was believed that none of the additional discounting would have any impact on the outcomes of the project. No existing activities would be displaced, no other parties were contributing to the change and the impact on stakeholders would not drop off in future years as the homes will remain as local needs housing in perpetuity.

11. Social Return Calculation

The financial proxy multiplied by the quantity of the outcome and discounted by any deadweight, attribution or displacement.

The impact (i.e. the total value of each change) is calculated by multiplying the financial proxy by the quantity of outcome minus any deadweight, displacement or attribution. This calculation has been carried out for each row of the impact map. Using this calculation resulted in the total impact at the end of the analysis period being valued at £236,118.

The impact in year one is the same as the impact calculated at the end of the project i.e. £236,118. Drop-off is only calculated for the years following, in this case five years.

Some of the outcomes identified endure beyond the activities so the value of change in future years has been projected. The basic discounted rate recommended for the public sector in the Green Book (HM Treasury 2003) is 3.5%. However, supplementary guidance was issued (Appendix B) which eliminates the pure time preference element resulting in a recommended discount of 3%.

The Present Value (PV) of activities identified by this analysis was valued at £1,081,351.30 using this 3% discount rate.

The SROI ratio is calculated by dividing the PV by the value of inputs (investment).

$$\frac{£1,081,351.30}{£35,483.00} = 30.48:1$$

The analysis estimates that for every £1 invested in English Rural HA activities there is £30.48 of social value created over five years.

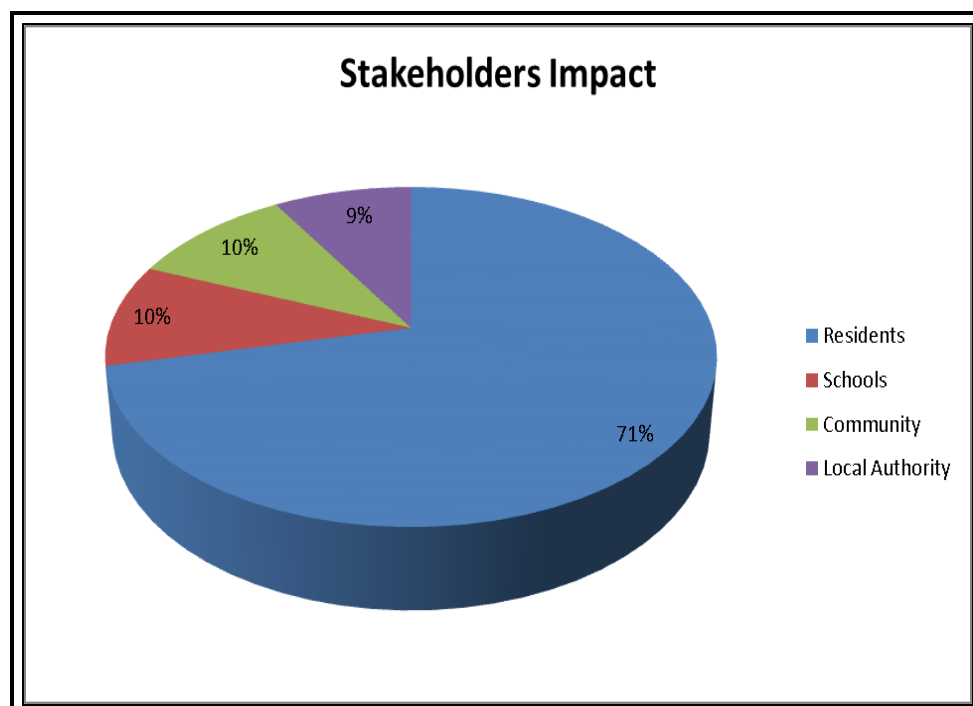
In year one the return is £6.46; year two £6.27 and this is discounted by 3% each year.

12. Verifying the Result

Testing variables and assumptions to determine any significant impact on the overall ratio and determining confidence on the final return on investment.

As much of the data that has been used to calculate the final social return on investment is based on assumptions and personal perceptions, it is important to test the impact these assumptions have on the overall social return. This is known as sensitivity analysis and is used as a way to verify the final return.

Consideration needs to be given to the best and worst case scenarios and how any changes would impact on the final value. The pie chart below shows each stakeholder considered in the assessment and the overall affect each has had on the final calculation.



For the purpose of this test, given that feedback and data from residents has provided the greatest level of input, two proxies have been chosen from this section of data. These proxies are considered to be the two areas most susceptible to assumptions and personal interpretation.

Improved quality of home – In the survey undertaken with residents they were asked to place a monetary value on the impact of the design and quality of their new home on their lifestyle and well-being. Residents interviewed found it difficult to quantify but felt safer, happier and more content with life. Residents were asked to place a monetary value on the importance of quality housing by considering what it would take in financial terms to give up their home. The financial values expressed by residents varied with a maximum value quoted as a £1m. Using this financial proxy the final social value calculation would have shown that every £1 invested resulted in £57.08 of social value in year one. Giving the difficulty in placing a financial value on improved well-being it was considered that this may have been an over estimation and so a previously accepted proxy used by the London School of Economics to measure the impact of a quality home on well-being, was used instead.

Returning or remaining in village – In the original social value calculation 40% deadweight was applied to this proxy to take into consideration the possibility of another housing provider developing the scheme. The deadweight reduction was an assumption by the project team; by applying the worse case scenario of a deadweight of 100% (i.e. a certainty that the properties would be built regardless of English Rural's involvement, would result in a return of £5.18 of social value).

Further verification was undertaken by asking the stakeholders involved to comment and give feedback on the final analysis and calculation.

Confidence Range

By undertaking best and worse case scenario analysis, it has validated confidence in the estimations and assumptions made in the calculations. For the two proxies considered, a confidence range of between £5.84 and £57.08 has been identified.

Had the study been undertaken across a wider number of housing developments and greater resources and data were available, it would have been possible to provide a more accurate confidence range. However due to the qualitative nature of the study there will always be a range, as it is not possible to assess social impact without making judgements.

13. The Future of SROI and English Rural

A key objective of the SROI project group was for the results to feed into English Rural's emerging Value for Money Strategy. It is widely acknowledged that delivering affordable housing in rural areas is challenging and expensive. Historically, Government funding for social housing has reflected this and grant rates for rural exception site schemes have been at a higher level than that for urban or market town schemes. However, in the current economic climate it is even more important to demonstrate the value of what English Rural does and the significant contribution that local needs housing makes to the sustainability of rural communities.

The new Government Regulatory Framework requires a transparent approach and together with the social value legislation, this project was a good opportunity for English Rural to take a more holistic view towards achieving value for money. Housing associations in general and English Rural in particular, should be able to evidence considerable social value of their services and make this a key component of service, design and purchasing decisions.

It has been agreed by English Rural's Board that our Value for Money strategy will demonstrate the following principles:-

"In fulfilling its purpose for rural communities, English Rural Housing Association will endeavour to generate the maximum possible social, economic, financial and environmental value from the combined resources of its Board, staff, residents, finances, properties and reputation. This will be done through a strategic approach, supported by a practical programme and will comply with regulatory and legislative requirements."

Embracing English Rural's commitment to this ethos demonstrates that social value considerations will be paramount in all operational areas of the organisation.

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