ReSI Plc

Social Impact Report
2019

Residential Secure Income plc

SPC
SocialProfit Calculator

At ReSI Plc We...

Deliver Social Impact

Deliver Economic Impact

Deliver Environmental Impact

Achieve Whole Life Value

Contents

ReSI Plc measures impact and calculates value

Introduction

Residential Secure Income plc (ReSI) is a Real Estate Investment Trust (REIT) with the objective of delivering secure inflation linked returns through investment in good quality, socially and economically beneficial new affordable housing throughout the UK.

To date ReSI have invested **£294** million into 2,677 properties, which house approximately 3,239 residents across the UK summarised in **Table 1**.

The ReSI affordable housing portfolio comprises:

- **Local Authority Housing**: leasing of housing units to Luton Borough Council to accommodate people at risk of homelessness.
- **Retirement Rental**: provision of accessible, affordable and fit-for-purpose housing within a community setting, across the UK for the over 55s.
- **Shared ownership:** acquisition of new build apartments and conversion to shared ownership tenure in Greater London.

TABLE 1:
Summary of ReSI's New Affordable Housing Portfolio

	Local Authority Housing	Retirement Rental	Shared Ownership	Total
Investment (% of total)	**£34 million (12%)**	**£183 million (62%)**	**£77 million (26%)**	**£294 million**
Number of units	**289**	**2222**	**166**	**2677**
Number of residents	**578**	**2412**	**249**	**3239**
Average occupancy per unit[1]	**2**	**1.1**	**1.5**	**-**

ReSI recognises that in order to deliver long-term and stable income returns, it is essential to incorporate social considerations into their business model. As this report shows, by supporting development partners, ReSI's portfolio creates demonstrable Social Value to local communities by increasing the provision of good quality, affordable housing.

Suitable, secure housing that meets the Decent Housing Standard can provide far-reaching social benefits including improved health, financial, physical and mental wellbeing and reduced worklessness and other adverse life outcomes. In contrast, poor housing can be a source of multiple problems. It estimated that poor housing costs the NHS around £2.5 billion per year. Public Health England report that those living in unhealthy, overcrowded and precarious homes are at greater risk from a range of adverse health conditions, including drug and alcohol misuse, excess winter deaths and accidents including falls and domestic fires.

The potential positive social outcomes associated with each type of affordable housing are summarised in **Table 2**.

TABLE 2:

Social Benefits of Different Types of Ownership Within ReSI Portfolio

Social Tenancy Overall	Local Authority Housing	Retirement Rental	Shared Ownership
Financial wellbeing – reduced problems of debt and less punitive approach to arrears. Increased ability to find, retain and travel to work.	Provides homes to those who are homeless or at risk of homelessness.	Living with peers helps address loneliness, the largest health problem for the elderly population.	Opens the door to home ownership.
Physical wellbeing – positive health outcomes from provisions of homes to the Decent Homes Standard	Provides savings to local authorities vs. hotels and B&Bs of £200 per week per unit.	Supports independent living for longer.	Provides lifetime security of tenure. Offers security of tenure and greater certainty of future housing costs compared to renting privately.
Mental wellbeing – positive mental outcomes due to stable and secure housing.	Provides institutional landlord to ensure adequate standards of accommodation.	Frees up large family homes for families.	Creates additional sub-market rental homes.
Value of money for tenants and capped and regulated rent levels.	Social benefit of good quality, fit-for-purpose accommodation.	Renting avoids the burdens and transaction costs of home ownership.	Delivers a social dividend through rental discount.

Social Impact Report

ReSI have commissioned Social Profit Calculator (SPC) to report on, and value the social impact of their investment across their Affordable Social Housing portfolio.

This report summarises and presents the overall impact of each Affordable Social Housing type: Local Authority Housing, Retirement Rental and Shared Ownership.

Measuring and Monetising Social Impact

Since the Public Services (Social Value) Act in 2012, measurement and reporting on Social Value has become increasingly important. The Act requires all public sector organisations to consider how land acquisition and procurement might improve economic, social and environmental wellbeing in an area; and how planning and procurement processes could secure that change.

SPC has developed a platform for measuring and monitoring social, economic and environmental impact which can be monetised to understand the value this creates across an investment portfolio. Data can also be aggregated to understand impact at a local, sub-regional and regions level to include impact across all phases of development from construction, operations and end user experiences.

SPC calculates social, economic and environmental impact and value using two key analysis frameworks; Social Return on Investment (SROI) and Economic Impact. Total impact is calculated by combining both the SROI and the Economic Impact value.

SPC's platform is accredited by Social Value UK and Social Value International.

The SROI value comprises:

Fiscal Savings to UK Government and taxpayers associated with reduced cost for welfare benefits, health services, education, emergency services, housing, and social care.

Economic Benefits to HMRC associated with Tax, National Insurance and Earnings due to reduced worklessness and sickness days.

Wellbeing Improvements associated with employment and skills development, qualifications, education support, school and community engagement, and improvements to physical and mental health.

Environmental benefits associated with reducing, recycling and diverting waste, reducing CO2 emissions, as well as ecological protection.

The Economic Impact comprises:

Local Multiplier 3 (LM3) which accounts for how a project impacts upon local economies through spend on supply chain and employment.

Gross Value Added (GVA) which measures how project employment contributes to economic productivity and uplift of an area including the indirect and induced effects of direct employment.

HM Treasury, Cabinet Office and Office for National Statistics have approved each of the analysis types.

A series of ‘Impact Metrics’ are applied to our calculations to ensure that the overall impact value is not over-claimed. These are in line with HM Treasury Greenbook Guidance and include:

Deadweight to account for what would’ve happened anyway. In line with HM Treasury Greenbook Guidance.

Attribution to account for other contributing factors/organisations. In line with Social Value UK Guidance.

Displacement to account for other savings/ outcomes that no longer occur as a result of this activity. In line with HM Treasury Greenbook Guidance.

Duration how long the outcomes last.

Dropoff in future years, the amount of outcome is likely to be less or, if the same, will be more likely to be influenced by other factors. Dropoff accounts for this in line with HM Treasury Greenbook Guidance.

Overall Impact of ReSI Investment in Affordable Social Housing

The overall impact of the ReSI investment of **£294m** will generate **£731m** over 25 years. This gives a social impact ratio of **£2.49** for every **£1** invested in the Affordable Housing Portfolio.

Social Impact Ratio

£1 : £2.49 *

	Number of Residents	Investment	Social Impact (Year 25)	Social Impact Ratio over 25 Years
Local Authority Housing	578	£34m	£168m	£4.94
Retirement Rental (Resident & Warden)	2412	£183m	£354m	£1.93
Shared Ownership including construction impact	249	£77m	£209m	£2.71
Overall Impact	**3239**	**£294m**	**£731m**	**£2.49**

**This is in the higher benchmarking category for Social Impact Calculations - Very Good to Excellent*

Local Authority Housing

Leasing of housing units to Luton Borough Council to accommodate people at risk of homelessness

Context

At the end of March 2019, 84,740 households, including 125,020 children, were reported to be living in temporary accommodation across England. This represents a 77 % increase from December 2010.

The large increase over the past decade the result of a combination of factors: rising rents in the private rental sector, frozen housing benefits, the lack of affordable housing and long waiting lists for long-term social housing. Many councils are now struggling to cope with the rising number of people needing help. As a consequence, an increasing number of families and households are being placed into temporary and emergency accommodation and for increasing periods of time.

Local Authorities' own housing stock has often fallen short of the demand for temporary accommodation. To meet this demand and the additional duties placed on them by the Homelessness Reduction Act (2017), Local Authorities have become increasingly reliant on pay-nightly privately managed accommodation and B&Bs (accounting for 33% of those in temporary accommodation as of June 2018). This costs significantly more than leasing from the private sector and is an additional drain on already pressured Local Authority resources. Managing numerous individual private landlords can also be problematic, including the guarantee of adequate housing standards for tenants.

Activities

ReSI currently leases 289 housing units in five freehold buildings to Luton Borough Council for temporary and emergency accommodation. Homeless charity Shelter reports that Luton Borough Council has the highest rates of homelessness outside London. Rents are set at long-term market levels, providing a cost saving to Local Authorities. And, as a long-term institutional landlord, ReSI provides housing that meets the Decent Home Standard across Local Authority rented estates.

Input:
£34 million

Output:
289 units in the Luton Borough Council, and 578 residents.

Outcomes:

- Provides homes to those who are homeless or at risk of homelessness.
- Provides savings to local authorities vs. hotels and B&Bs of £200 per week per unit.
- Provides institutional landlord to ensure adequate standards of accommodation.
- Good quality accommodation.

Long Term Social Impact (SROI) of Local Authority Housing:

	Number of Residents	Social Impact (Year 1)	Social Impact (Year 5)	Social Impact (Year 10)	Social Impact (Year 25)
Local Authority Housing	**578**	**£19,966,391**	**£79,631,112**	**£123,279,190**	**£167,505,847**

Retirement Rental

Provision of supported, accessible and affordable housing within a community setting, across the UK for the over 55s

Context

The majority of people aged over 60 currently live in the mainstream housing market. Just over 1% of currently live-in purpose-built retirement developments and only 3% of consented developments are designed specifically for the elderly. With a steady increase in life expectancy, over 70% of UK population growth between 2014 and 2039 will be in the over 60s age group, an increase of 7 million people.

Suitable housing can play a significant role in quality of life in older age. In contrast, unsuitable housing can be a source of multiple problems, estimated to cost the NHS around £2.5 billion per year (across all ages).
Retirement housing (sheltered living) for the over 55s offers accessible accommodation with access to day-to-day and emergency support. This can increase the duration of independent living, but also provides additional social outcomes, including alleviation of loneliness due to their community setting and shared spaces. Residents of specialised housing, including sheltered living, report higher levels of satisfaction, improved wellbeing, better health outcomes and reduced healthcare costs.

Evidence suggests that there are substantial numbers of households in the over 55s demographic who would like to move to smaller homes but cannot find a suitable property. Downsizing to a retirement rental property eliminates exposure to the costs of homeownership (maintenance, entry and exit transaction costs) and offers an affordable alternative through an assured tenancy. Furthermore, downsizing by the over 55s would also free up larger family homes which are in short supply. Around 35% of households currently consist of older people living alone or as a couple, but most homes were designed for families (42% of homes in England and Wales have 3 bedrooms).

Activities

ReSI's retirement rental accommodation provides, affordable, fit for purpose accommodation with access to day-to-day and emergency support to enable independent living for longer whilst reducing loneliness.

Inputs:

£183 million

Outputs:

2222 units (of which 323 is warden accommodation to house the individual managing the retirement homes) housing approximately 2412 residents across the UK.

Outcomes:

- Living with peers helps address loneliness, the largest health problem for the elderly population.
- Supports independence for longer.
- Frees up large family homes for families.
- Renting avoids the burdens and transaction costs of home ownership.

Long term Social Impact (SROI) of Retirement Rental:

	Number of Residents	Social Impact (Year 1)	Social Impact (Year 5)	Social Impact (Year 10)	Social Impact (Year 25)
Retirement Rental (Residents)	**2089**	**£35,596,142**	**£141,966,586**	**£219,782,509**	**£298,629,925**
Retirement Rental (Warden)	**323**	**£6,595,213**	**£26,303,408**	**£40,721,054**	**£55,329,814**
Retirement (Total)	**2412**	**£42,191,354**	**£168,269,994**	**£260,503,563**	**£353,959,740**

Shared Ownership

Acquisition of new build apartments and conversion to shared ownership tenure in Greater London

Context

Increasing home ownership is a key government policy yet as house prices outstrip wages, high mortgage deposit requirements, limited mortgage availability and ineligibility for the limited number of social rented home, more and more would-be First Time Buyers struggle to make their first step onto the housing ladder. This has led to the emergence of 'Generation Rent', a rapid growth in households living for longer in the private rented sector, including families with dependent children.

While 91 per cent of young people (under 34-year olds) still aspire to own a home, 70 per cent now believe that homeownership is over for their generation. Just over a decade ago, half of those under 34 were able to get on the property ladder. By 2026, just 25% of 25-34-year olds will be able to make their first step onto the housing ladder.

Shared ownership provides a bridge across the current 'affordability gap', allowing first time buyers with a limited deposit for an outright purchase to purchase a 25-75% share in a home. Shared Owners also have the opportunity to buy additional shares in their home at the prevailing market value up to 100% of the equity. Shares can be sold on to a new owner if the shared owner wishes to move.

Shared ownership allows buyers to take on more manageable mortgage repayments on the sold portion whilst also benefitting from discounted rent on the unsold portion. ReSI estimate that over 4 million more people meet he income requirements for Shared Ownership than an outright purchase.

Activities

ReSI has acquired 166 new build apartments in Greater London and converted them to Shared Ownership tenure. Shared Owners typically pay rent at an average of 2.62% of the open market value of the unsold share of their home. Market rent is typically 4%.

Inputs:
£77 million

Outputs:
166 units (249 residents) in Greater London (34 in the London Borough of Barnet, 132 in the London Borough of Lambeth).

Outcomes:
- Jobs and skills created during construction phase.
- Opens the door to home ownership.
- Provides lifetime security of tenure. Offers security of tenure and greater certainty of future housing costs compared to renting privately.
- Creates additional sub-market rental homes.
- Delivers social dividend through rental discount.

Shared Ownership Construction Investment Impact:

	Units	Social Impact	Economic Impact (LM3+GVA)	Total Social and Economic Impact
Shared Ownership	**166**	**£22,486,551**	**£142,123,824**	**£164,610,375**

Long Term Social Impact (SROI) of Shared Ownership*:

	Number of Residents	Social Impact (Year 1)	Social Impact (Year 5)	Social Impact (Year 10)	Social Impact (Year 25)
Shared Ownership	**249**	**£5,334,194**	**£21,274,139**	**£32,935,099**	**£44,750,632**

*Includes a social dividend from discounted rents of £4,968 per unit per year

SocialProfit Calculator
Flint Glass Works,
Ancoats Urban Village,
64 Jersey St,
Manchester M4 6JW