ADDED VALUE

THE ADDED VALUE ASSOCIATED WITH COLLECTIVE CUSTOM BUILD

Summary

By procuring housing through innovative enabling partnerships that include end-users and by placing use-value - rather than asset value - at the heart of decisions about the procurement of housing, alternative models of housing provision, like Collective Custom Build, offer an opportunity to generate value beyond merely an increase in housing supply, such as providing meaningfully affordable housing, strengthening local communities and economies and engaging people with an environmental agenda.

Whilst no single procurement route represents a panacea for a problematic house-building industry, as a form of self-provided housing Collective Custom Build has the potential to improve the quality, affordability, sociability and sustainability of housing, as well as offering greater certainty for the producer.

Chair of the National Self-Build Association, Ted Stevens, illustrates the benefits of self-provision in general as offering an opportunity to:

> "...*provide affordable bespoke-designed market housing, promoting design quality and environmental sustainability [as well as] driving innovation in building techniques and entrepreneurialism...'self-build' [also] tends to be greener, as end-users invest in reducing the on-going running costs of their future homes, and it supports local economies as each self-built home spends around £50,000 on materials and supports an average of seven construction jobs for a year. It also gives people more choice and better value; and it makes housing affordable for a new generation."*

(Stevens, 2013a).

Conversely, Parvin et al. describe the often intangible and difficult-to-evaluate costs attributable to poor housing supply - both n terms of quantity and quality - drawing attention to key issues such as:

> " ... *rising inequality, homelessness, poor health, time-poverty, depression and low self-esteem (even for the wealthy) are likely direct consequences [of such a poor housing supply]. It is easy to overlook these costs, because many of them are impossible to measure: how can the loss to a family be calculated when a parent has to commute for several hours per day, or see their children only at weekends? There are also indirect consequences arising from competition for*

> *housing, such as hamstrung local labour markets, or rising support for far-right political parties in white working class neighbourhoods."*

<div align="right">(Parvin et al., 2011a, pp. 16–17)</div>

Whilst these statements serve well as illustrations of the range of possible benefits of self-provided housing it can be difficult to articulate the added value of a particular type of housing delivery, like Collective Custom Build, over others, as value is often specific and contingent in relation to the context in which it is articulated.

Parvin et al. (2011a) go on to argue that the process through which houses are procured is as important as the outputs themselves, articulating the term 'value architecture' to describe the way that the direct users of housing procure long-term *use* value in their assets rather than merely short-term exchange value:

> *"Every process by which housing might be procured has a basic 'value architecture': in the way that the design and procurement process structurally tends towards maximising certain kinds of value at different stages. In this context, the word 'value' expands to take in not just financial asset value (also known as 'exchange value'), but also other forms of value, be they short-term, long-term, economic value, utility value, or other, less measurable value sets which are nonetheless universally acknowledged, such as social status, a sense of belonging, or pride ... In order to understand housing, therefore, we need to understand the basic value-architecture of the processes by which housing might be produced."*

<div align="right">(Ibid. 2011a, p. 23)</div>

And illustrating a typical user-driven, use-value-based decision:

> *"...a self-provider may also (inadvertently) make 'irrational' design choices which favour increased use-value ... In other words, as they design, the self-provider is not only calculating the cost of the project and protecting its long-term asset-value, but also imagining their home as a place to live. We're human – we simply can't help ourselves: "I really want big south windows because I like to sit in the sun."... 'I'm a guitarist, so I need somewhere to practice without disturbing the neighbours"..."*

<div align="right">(Ibid. 2011a, p. 30)</div>

A self-provided value architecture, described by Parvin et al. as procuring long-term use value more effectively than a speculative house-building model of housing delivery that procures short-term exchange value, is structurally more able to deliver higher-quality, less energy-hungry dwellings that can achieve long-term affordability whilst also unlocking investment from self-providers themselves and supporting the development of functioning communities and a more resilient housing supply (Ibid. 2011a, pp. 22–35).

Added value, in this sense, is often discussed as 'social value' – defined by Social Enterprise UK as *"the additional benefit to the community from a commissioning/procurement process over and above the direct purchasing of goods, services and outcomes"* – and is commonly related to concepts such as well-being, life-satisfaction and happiness, as well as to aspirations to increase the capacity for these afforded by society.

In *'The Social Impact of Housing Providers',* Fujiwara notes that there is evidence to suggest that people with higher well-being are more productive and creative at work, are more altruistic in that they are far more likely to give up their time to help others (both at work and in private life), and they also tend to be healthier, in that they are less likely to catch a range of different viruses and - even if they do - heal much quicker. These findings have important implications for health expenditures, absenteeism at work, productivity and economic growth and charitable giving – which are clearly important for any society – and housing provision, as both product and process, has huge capacity to deliver social value and societal well-being (Fujiwara and HACT, 2013, p. 45).

Pete Gladwell of Legal & General Property highlights why considering social value is of paramount importance to today's' housing industry and how understanding and reporting on the social value of housing providers' activities can provides a starting point from which the social, financial and economic returns can be balanced and assessed:

> *"The recent financial crisis has left many established investment paradigms in tatters, and yet provided fruitful ground for those who wish to seize this opportunity to reprioritise the purpose and values of the financial industry. The single-handed and relentless pursuit of short-term financial gain has been discredited and widely disparaged, but in turn governments have struggled to reassert social priorities on the world of finance … those stewarding the pensions and investments of others [should] look more deeply than financial returns to assess how they are best able to deploy that capital to benefit society, in the fulfilment of their fiduciary duty. For an institution to have a Corporate Social Responsibility department tacked on is no longer enough - this requires social impact to be evaluated by every investment professional, in every investment decision."*

(Fujiwara and HACT, 2013, p. 7)

Social Enteprise UK go on to observe that:

> *"Whilst there are many examples of providers delivering social value available to illustrate this, there is no authoritative list of what these benefits may be. The reason for this flexible approach is that social value is best approached by considering what is what beneficial in the context of local needs or the particular strategic objectives of a public body. In one area, for example, youth unemployment might be a serious concern, whilst in another, health inequalities might be a more pressing need."*

Writing specifically about housing associations, Fujiwara observes that consideration of how social value can be generated through the provision of housing is needed – principally from providers of social housing - in order to meet the obligations presented by the Public Services (Social Value) Act 2012[1]. Fujiwara draws particular attention to methods of evaluating social value, such as Wellbeing Evaluation and Social Return on Investment, that seek to articulate social value in financial terms, in order to make it easier to consider in investment terms, and notes that there is a clear need for social value auditing to be considered by whole organisations, rather than just community investment teams, in order to provide key stakeholders in the housing industry with the information they need to balance competing demands for investment across their businesses.

Higher Quality

Government acknowledges that self-build homes are often distinguished by their excellent quality and design (Prisk, 2012; UK Cohousing Network, 2013a), whilst Wallace et al. consider the current concentration of house-building into ever smaller numbers of firms to be problematic, as it does not deliver the necessary new supply in sufficient numbers, and typically produces poor housing design and poor customer satisfaction(2013, p. 17) .Parvin et al. (2011a, p. 32) take space provision as a general indicator of 'generosity' and state that the average size of a self-provided home is significantly more generous than the UK new-build average[2], whilst Barlow et al. also observe that self-provision results in houses which are generally of a higher-quality and larger size than speculative houses (Barlow et al., 2001).

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[1] The Public Services (Social Value) Act was passed at the end of February 2012 and under the Act, for the first time, all public bodies in England and Wales are required to consider how the services they commission and procure might improve the economic, social and environmental well-being of the area. You can read a brief guide to the Act from Social Enterprise UK (Social Enterprise UK, 2012a) , who have also produced a guide to implementing the Act (Social Enterprise UK, 2012b).

[2] "The average size of a self-provided home is 218m^2. If we adjust this figure to take account of the fact that self-provided houses tend to be 3-4 bedroom houses (3.75 bedrooms on average),11 an equivalent 2.5 bedroom house would have an area of 145m^2 That's significantly more generous than the UK new-build average of 82.7m^2." (Parvin et al., 2011a, p. 32 using data from Buildstore "Self build moving centre stage" (Buildstore, 2009) and the Italian Housing Federation "Housing Statistics in the EU" (Italian Ministry of Infrastructure, 2006))

Parvin et al. also note that the attention to the value of houses as places to live also translates into a greater interest in technical innovation, either in terms of services, construction materials or overall space design (2011a, p. 32), whilst self-providers also design for their individual family needs, which may include:

> *"… highly customised provisions for, say, a disabled user, but also might include features that a speculative housebuilder would rarely provide, such as the ability to convert part of the house into an annexe, or a space for working or practicing a hobby."*

<div align="right">(Ibid. 2011a, p. 34)</div>

The Construction Industry Council acknowledges that self-builders are *likely to have a focus on the overall quality of their development including cost and performance in use and build quality* (Miles and Whitehouse, 2013, p. 16), which it describes in contrast to volume house-builders with 'no particular interest' in higher quality or faster build times (Miles and Whitehouse, 2013, p. 5).

A post-occupancy study of the Stroud Cohousing scheme[3] - the first new-build cohousing scheme in the UK, built in 2004 - by the Institute of Sustainability found that a Building Use Survey (BUS)[4] ranked the homes as the highest-ranking development in the BUS database at the point of survey. The scheme had relatively low carbon emissions when compared to UK benchmark and exhibited few thermal anomalies in the external envelope, indicating good build quality. Comments collected as part of the study also highlighted the residents' awareness of the shortfalls in construction, indicating a high level of forgiveness resulting from their involvement in the self-providing process (Pasquale, 2013).

Some sources also describe how a more diverse housing market would 'drive up quality' across the industry (Brinkley, 2013; Stevens, 2013b), illustrated by Parvin et al. (2011a, p. 34) as:

> *"The presence of a large self-provided sector would, undoubtedly, drive the speculative market to compete more vigorously on quality. But recognising the potential in this paradigm shift, many of the existing large housebuilding companies will alter their business model to serve and profit-from the self-provided sector as much as compete with it. The transition from a speculative-housebuilding-only world to a more diverse range of housing models can therefore be gradual, competitive and surprisingly permissive."*

<div align="right">(Ibid. 2011a, p. 34)</div>

Better Performance

Whilst a well-established and industry-recognised definition of 'sustainable' already exists within the Code for Sustainable Homes (Homebuilding & Renovating, 2013, p. 9), the National Planning Policy Framework (NPPF) requires a much more holistic consideration of the social, economic and environmental benefits of development, against which many collective self-build schemes can be considered as highly sustainable (Homebuilding & Renovating, 2013, p. 9), typically placing value on reduced impact of the development as a whole.

The Lancaster Cohousing development, for example, places great emphasis on reducing reliance on individual ownership of vehicles and other products such as washing machines and lawnmowers (Self Build Portal, 2013a), illustrating the potential of collective forms of self-provision to *'reduce the amount of 'clutter' and unnecessary stuff that individual householders tend to acquire'.* (UK Cohousing Network, 2013b).

Wallace et al. point out, however, that environmental ideals may not be the prime motivator for all self-builders, citing the Office for Fair Trading's observation that meeting the requirements of the Code for

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[3] See (Architype, 2013).

[4] See http://www.busmethodology.org.uk/process/ for an overview of the BUS survey and its use in assessing the quality of buildings.

Sustainable Homes was a burden for some self-builders (OFT, 2007 IN: ; Wallace et al., 2013, p. 17). However, it is likely that requirements will be much less onerous if access to support in meeting these requirements from planning and design professionals can be facilitated by some kind of enabling arrangement, either from a private developer, local authority or third-sector organisation.

However, the financial rewards for self-providers who build sustainably are still very tangible – in that, as users of the product being produced they benefit directly from investment in energy-saving measures such as higher-than-normal levels of insulation, passive-solar design and renewable technologies – and an aspiration to procure housing that supports a sustainable life-style is often a founding principal of Collective Custom Build Groups[5].

Long-term Affordability

One of the issues often framed as a benefit of self-provision is the lack of involvement by developers on a speculative basis, resulting in cost savings of around 20-30% due to the absence of 'developer's profit' - added to reward the developer for the risk of development. In self-provided models, this reward is retained by the self-provider; and this can result in a more economic building or a building of much higher specification that would otherwise be affordable – or even a combination of the two. The Policy Exchange, for instance, argues that homes which might be put on the market for £220,000 by a developer could be "self-built" for £130,000 – with *the added bonus that they would be specially designed for the family which moves in* (Morton, 2013, pp. 4–5), and Parvin et al. (2011a, p. 33) describe how the overall cost of a self-provided home to the user can be significantly lower than an equivalent market home would be.

> *"Although at present self-provided housing may be less cost-efficient in terms of pure construction, the overall cost of a self-provided home to the user is significantly lower than an equivalent market home would be, because there is no marketing cost, and no profit margin going to external shareholders. This means that even where the self-provider buys the land, the overall cost of the project is around a third less than the equivalent cost on the market. The financial cost of the project can also be massively reduced through users investing so-called 'sweat equity': taking on work which would otherwise have be paid for (whether it be project management or actual construction tasks) and doing it for yourself."*

(Parvin et al., 2011a, p. 33).

Some groups, such as the Ashley Vale Action Group, which procured a self-built neighbourhood at Ashley Vale, in Bristol, cite cost savings enabled through working together as a critical factor for the success of their project (Moulding, 2012, p. 35); whilst - in assessing the feasibility of delivering affordable housing at the Queen Elizabeth Olympic Park - the London Olympic Development Corporation (LLDC) found that Collective Custom Build housing could provide homes that are more affordable on a per-square-metre basis than developer-led speculative housing, by providing an avenue to homeownership for those who would not otherwise be able to afford to live in a given area, stating:

> *"...encouragement and guidance of custom-builders to form co-operative groups could make custom-build more accessible, without creating different classes of housing or an 'affordability' threshold. Custom-build groups can acquire homes of greater value than they would as individual households, and for much less than the equivalent market value of each property."*

(Roberts, 2012, p. 10)

Wallace at al point out that UK and international reports suggest that individuals are motivated to self-build because they obtain a bespoke home that meets their individual needs and aspirations at a cost

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[5] See the LILAC project (LILAC, 2013; UK Cohousing Network, 2013a), Lancaster Cohousing (Jennings et al., 2012; Lancaster Cohousing, 2013; Self Build Portal, 2013a), and Ashley Vale self-build neighbourhood (CABE, 2011; Leach et al., 2000; Moulding, 2012; Self Build Portal, 2013b) among others.

unavailable in the wider housing market (Brown, 2007; Building Societies Association, 2011; Dol et al., 2012; IN: Wallace et al., 2013, pp. 17–18), whilst an unpublished DCLG survey, cited by the Building Societies Association, National Self Build Association and current Housing Minister, Mark Prisk, found that one in two people see self-build as a less-expensive route into homeownership (Building Societies Association, 2011 IN: ; Wallace et al., 2013, p. 17).

Additionally, the potential for alternative ownership and land tenure arrangements, such as mutual home ownership[6] and community land trusts[7], means self-provided housing can be intrinsically more affordable on a permanent basis (Parvin et al., 2011a, p. 33), principally by separating the cost of homes from the cost of the land they are built on.

Indeed, some models of Collective Custom Build have been developed to specifically address the issue of localised affordability, or rather, the lack of local, affordable homes. Providing affordable housing – and maintaining affordability in perpetuity – is a founding principle of some groups, such as the LILAC project in Leeds (LILAC, 2013), and the East London CLT initiative in Bow, east London (East London Community Land Trust, 2013), and the Building Societies Association notes that 'self-build' presents a particular opportunity to make housing affordable for a new generation of homeowners and 'first time buyers' (Building Societies Association, 2012, p. 3)

This differentiates it from many of the 'affordable housing' mechanisms which we have relied on over recent years, such as shared ownership and shared equity schemes, many of which could be better described as 'the temporary mitigation of unaffordability' (Parvin et al., 2011a, p. 33).

Resilient Supply and Unlocking Investment

Parvin et al. point out that at a time when lending from banks is low, self-builders can actually give an extra boost to the housing supply (and wider economy) because of the capital they already own and bring to the project, including "the financial capital they bring through savings, mortgages, rent and sweat equity" and also the "individual and collective social and environmental capital"; their knowledge, their contacts, their determination to succeed and their commitment to a more sociable, sustainable lifestyle, which shapes the places they build (2011a, p. 33).

Drawing on evidence from multiple recessions (Barlow et al., 2001; IN: Parvin et al., 2011a, p. 33), Parvin et al. also note that self-providers continue to build houses during periods of economic uncertainty:

> *"Because speculative housing is built to sell, rather than to live in, it is a production process that more or less stops if the market falls. As such it is highly vulnerable to market volatility, and economic cycles of boom and bust. By contrast, self-providers are building to live in houses rather than sell them (even if they plan to sell at some point in the future) so generally they continue to build through economic downturns if they can."*

> (Parvin et al., 2011a, p. 33).

Parvin et al. also note the wider benefit to housing supply in the UK:

> *"Even when these houses come to be sold to others, they are more generous and characterful, qualities which are highly desirable to prospective buyers in the secondhand market. The potential benefits [of a range of customised homes becoming part of the UK housing stock] which might accrue are not just to market quality, but also to the economy as a whole, if our dwellings become more generous providers of space, including spaces which are not strictly programmed for consumption, but useable for hobbies or new business … [then] thousands more UK homes [might have] 'spare' workspace to support fledgling inventions and enterprises."*

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[6] See 'Popular Culture' in this study.
[7] See (Parvin et al., 2011a, pp. 33–34) and 'Popular Culture' in this study.

Wallace et al. (2013)cite a quote by Ambrose that describes how self-provision in groups, such as Collective Custom Build, can unlock housing development in the context of scarce resources:

> *"[First] … that if there is very little or no public money, then ingenuity and new practices have to the extent that is possible, to serve instead. The second is that if community and resident participation can be achieved, and if the people who have a direct interest in improving their homes and immediate environment can be drawn into the process, then the 'release' and organisation of individual and group energies can help to bring about desired outcomes even in periods of great financial stringency.'*

<div align="right">(Ambrose, 1994, p. 192, IN:; Wallace et al., 2013, p. 18)</div>

Collective Custom Build also has some value in tipping difficult sites into viability, and in turn increasing the volume of housing produced. Anecdotal evidence suggests that by securing a sale up front – by giving an option to a self-providing group on the first phase of a site – house-builders could seed the delivery of housing across the wider site with high-quality dwellings and an attractive, established community. Hill states that this is often that case in North American, where volume house-builders will hardly ever start building without a secured sale (Hill, 2013a) and Collective Custom Build groups such as Cohousing groups are beginning to see the value they offer to developers in terms of marketing, seeding a sense of community, identity and place that in turn helps to sell further phases of speculatively built houses (Hill, 2013b).

'Self-build' in general can also be the only solution in situations where speculative builders have withdrawn completely from the local market, as observed in Scotland by Clapham et al. (Clapham et al., 1993 IN: ; Wallace et al., 2013, pp. 17–18), and as is resolutely the case in the Middlehaven district of Middlesbrough, which formed the focus of an HCA Custom Build Workshop in January 2013 (HCA, 2013).

'Livable' Communities

As Parvin et al. note, building housing which supports strong community interaction has, for a long time, been a key objective in housing policy, but usually as a rhetorical addendum to housing policy, rather than a practical structuring mechanism for it (2011a, p. 33). Campaigns and organisations, such as Shelter, and the Campaign To End Loneliness note that housing provision has the capacity to support the development of community friendship ties that in turn play a qualitative role in improving the general quality of life, that can also generate quantifiable long-term savings in welfare spending: on crime, street maintenance, childcare and care of the elderly which result from the mutual support given by friends and neighbours.

> *"One of the key structural weaknesses of the speculative housing delivery model is that because end-users have no role in the production process, it isolates them as individuals. Your neighbour is simply whoever you end up buying the house next-door to. Policymakers and architects have therefore been on a steep uphill struggle trying to support any community cohesion at all. They have tried to do so largely on the supposition that somehow the design of three-dimensional objects in a certain way can engender positive community interaction. To some extent it can, but speculative housebuilders are naturally cautious about taking unconventional design decisions that may help do this (such as creating no-car zones between front doors). Not knowing their buyer, they tend towards a lowest-common-denominator sales offer: high-security; high-privacy; clearly delineated ownership; minimum-effort access. Self-provided housing (particularly group self-provided housing or co-housing) forms relationships through the actual process of making a place, rather than expecting the product alone to engender community relationships in spite of the isolating procurement process. This also means that design questions can be negotiated, and users can co-design the kind of neighbourhood they want to live in."*

<div align="right">(Parvin et al., 2011a, pp. 33–34)</div>

The rewards of building a community, creating shared spaces and resources are described by Ted Stevens, Chair of the National Self Build Association (NaSBA) as 'infinite' (UK Cohousing Network, 2013b), and there is considerable anecdotal evidence to suggest that the process of designing, procuring and/or physically buildings together can generate a wealth of social value, expressed primarily as feelings of neighbourliness among group members (Ash et al., 2013; Brenton, 2013; Brinkley, 2013; Hill, 2013c, 2013d; Stevens, 2013c). People in Britain are living longer, and increasingly, spending their last years alone and describing themselves as lonely (Khaleeli, 2013) and some sources highlight the particular opportunity for models of mutual living, like Cohousing, to address the issue of isolation in an ageing population (Brenton, 2013; Moore, 2013a, 2013b).

Collective Custom Build represents a route to more stable communities. Ted Stevens suggests that self-builders don't just build a home, but create sustainable communities; putting down deep roots and moving on average only once every 25 years compared to the national average of once every 6 years (Stevens, 2013b), whilst Scheurer and Newman suggest that relationships are also built when people engage with the self-build process, resulting in 'conflict tested' communities in which bonds formed between neighbours are stronger than in other types of communities (Scheurer and Newman, 2009 IN: ; Wallace et al., 2013, p. 17).

Some sources also acknowledge the role that stable 'self build' communities have to play in 'placemaking' or community building, as people participate in the planning of their immediate neighbourhood and many self-builders value this aspect of the group-builds (Parvin et al., 2011b and ; Cerulli and Field, 2011; Hill, 2009; Broer and Titheridge, 2010; OFT, 2007; IN: Wallace et al., 2013, p. 17).

A recent study by researchers at Exeter University also showed that quality of life was perceived to be better in neighbourhoods that feature a significant collective self-built development - such as Ashley Vale in Bristol - when compared to the wider city (Clarke, 2012; IN: Stevens, 2013d). The London Legacy Development Corporation, evaluating the feasibility of offering Custom Build housing as part of the London 2012 Olympic park, lists a number of other, wider community benefits that could be achieved using such a strategy:

> *1. Sharing of land costs, construction costs, and professionals' fees, makes the whole process more affordable for individuals. Large groups can benefit from economies of scale and their combined strength as a purchasing unit. Risk is aggregated between members, making the group a more attractive proposition for lenders.*
>
> *2. A group can pool their knowledge and skills, supporting and motivating each other. By becoming a single 'client', they make large savings by sharing overheads (time and money). Members of a group with specific construction skills can also put in sweat-equity, significantly reducing the up-front cost.*
>
> *3. A community network is formed 'incidentally' by the process of working together as a group. This can lead to a lasting mutual involvement in the governance of, and care for the neighbourhood and perhaps each other. In this sense we can think of building community social ties as a being a positive side-effect of building the houses themselves, or vice versa.[15]*
>
> *4. Building as a group opens the door to new collaborative tenure / ownership models, such as a community land trust, or mutual home ownership.*
>
> *5. Group custom-build can achieve higher densities than individual custom-build. This is important in making efficient use of land, and also allows custom-builders to afford sites at a cost comparable to a developer of high-density housing.*
>
> (Roberts, 2012, p. 10)

Collective Custom Build can also facilitate greater public participation in planning and development decisions and often empowers groups of people to take ownership of where they live. Research commissioned by the Joseph Rowntree Foundation also suggests that 'self-build' in general can be a route to involving local people in decision making about housing delivery (Burgess et al., 2010, p. 6) and

that there is *potential for local housing trusts, community land trusts and self-build to not only deliver more housing but also to empower local communities* (Burgess et al., 2010, p. 7) and is acknowledged as an integral component of central Government's localism ambitions (Building Societies Association, 2012, p. 3).

Mechanisms that enable self-provision of housing can also empower local communities and make the planning process more effective in meeting people's needs (Falk and Carley, 2012; Boonstra and Boelens, 2011; Burgess et al., 2010; IN: Wallace et al., 2013), and moreover, as Wallace et al. highlight, citizen activism and engagement with the planning and development process were critical in the success of major international self-build developments at Vauban in Freiburg ,Germany (Bagaeen, 2006; Scheurer and Newman, 2009; IN: Wallace et al., 2013, p. 17), and the Homeruskwartier at Almere in the Netherlands (Qu and Hasselaar, 2011 IN: ; Wallace et al., 2013, p. 18).

Measuring Social Value

Significant, recent work on measuring social value has been conducted by Fujiwara and the Housing Association's Charitable Trust (Fujiwara and HACT, 2013), building on guidance included in the HM Treasury's 'Green Book' of guidance on evaluating and auditing Government initiatives ((Fujiwara & Campbell, 2011) IN: HM Treasury, 2003, pp. 57–59) and recent calls from academics and public sector organisations for further research in the field (Chevin, 2013; Parvin et al., 2011a, p. 33).

In this research, Fujiwara and HACT monetise the value of a number of factors related to housing quality and housing tenure that impact on well-being, deriving values for different indicators of housing quality, such as the value associated with the lack of neighbour noise or with a lack of problems related to damp and condensation - and non-housing 'interventions' - meaning any type of project, programme, policy or change made by a housing provider (Fujiwara and HACT, 2013, pp. 9–10). They also conduct a review of the literature on ways to measure social impact on welfare, and non-welfare-related outcomes such as housing quality, comparing techniques such as Social Return on Investment (SROI), Cost-Benefit Analysis (CBA) and Cost-Effectiveness Analysis (CEA).

Discussing the theory of evaluation, Fujiwara and HACT state:

> *"The welfare economic theory on valuation that underpins CBA[8] and SROI[9] analysis is that developed by John Hicks and others (Hicks & Allen, 1934). This states that the value of a good or service is subjective and should reflect the utility that people derive from it, where utility refers to the notion of underlying welfare or wellbeing. In other words, a monetary value should reflect the change in an individual's utility or wellbeing due to experiencing or consuming of the good."*
>
> (Ibid. 2013, p. 11)

Fujiwara and HACT use the Wellbeing Valuation (WV) method to account for social value[10]. In terms of housing, this method looks directly at how people's self-reports of their levels of wellbeing are affected by housing conditions and attaches a monetary value to this impact (Fujiwara and HACT, 2013, p. 11), estimating the value of things to individuals by assessing the impacts they have on people's wellbeing (Ibid. 2013, p. 44),

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[8] Cost-Benefit Analysis

[9] Social Return On Investment

[10] A central assumption of the wellbeing valuation approach is that measures of wellbeing (here life satisfaction) are good proxies of an individual's underlying utility. In this sense, the utility function and its level sets (the indifference curves) can be directly observed and it is possible to estimate the marginal rates of substitution (MRS) between income and the non-market good to provide an estimate of value. For example, if a 20% reduction in local crime rates increases the life satisfaction of an individual by 1 index point and an increase in household income of £5,000 p.a. also increases their life satisfaction by 1 index point, then we would conclude that the value of the 20% reduction in crime to them is £5,000 per year (Fujiwara and HACT, 2013, p. 48).

This method is relatively new and has been gaining popularity in the academic literature and is now recognised by the UK HM Treasury Green Book guidance on policy evaluation ((Fujiwara & Campbell, 2011) IN: HM Treasury, 2003, pp. 57–59). In essence, the WV approach derives monetary values for different goods and services, like health, housing and social relationships, by estimating the amount of money required to keep individuals just as happy or satisfied with life in the absence of the good[11]- i.e., to keep their wellbeing constant (Fujiwara and HACT, 2013, p. 22).

Fujiwara points out that we must recognize the fundamental normative (or philosophical) arguments and assumptions we have made when thinking about social value and wellbeing - and that how we measure wellbeing consequently matters for how we measure social value and make social decisions (Ibid. 2013, p. 44),

Deciding what outcomes matter (i.e., social value, asset value, income or exchequer value) and then conceptualising how to measure the benefit of these outcomes (for example, are we concerned with the satisfaction of people's preferences, rights or life satisfaction, or a combination of all?) are major challenges for housing providers of any kind.

The study provides an informative - rather than definitive - analysis about the value created by non-housing interventions, considering key housing factors that influence social value:

Lack of space

Garden

Neighbour noise

Street noise

Poor lighting

Bad heating

Condensation

Leaks

Damp

Rot

Vandalism

Local environment (pollution)

(Fujiwara and HACT, 2013, p. 13)

The study aligns these variables - taken from BHPS data[12] - with other benchmarks, such as United Nation's definition of adequate housing[13], and discusses them alongside non-housing 'interventions' made by organisations such as Housing Associations that can add social value, such as:

Jobs and training

Learning and skills

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[11] Fujiwara and HACT use the term 'good' to refer to any product service or experience that we are trying to value - Page 22.
[12] BHPS data is generated by the British Household Panel Survey, a long-running study that collects socio-economic information of private households in Great Britain.

[13] Please refer to (Fujiwara and HACT, 2013, p. 13) for an overview of comparisons, or to UN Habitat's 'The Right To Adequate Housing' (2009) available at http://www.ohchr.org/Documents/Publications/FS21_rev_1_Housing_en.pdf

Health services

Promoting independence

Safer, stronger communities

Creating better places to live

Community spaces

(Fujiwara and HACT, 2013, p. 30)

The social impact of these is discussed in relation to housing factors that enter our experiences – those that impact on life satisfaction and happiness, and Fujiwara notes that *'…of all the housing problems, neighbour noise has the largest negative effect on both life satisfaction and happiness and is the second most important determinant of people's desire to move house'*(Fujiwara and HACT, 2013, p. 21).

A worked example of how social value can be calculated using the Wellbeing Valuation method, taken from Fujiwara is given below:

> " *Example value of good quality Housing Association home*
>
> · *In this example we assume that a housing organisation builds or provides an additional 1,000 good quality homes, which accommodate people who would otherwise have been in poor quality private sector accommodation.*
>
> · *This intervention would have a value of **£973 per person per year** and assume that on average two people live in these new homes.*
>
> · *These 1,00 homes would have **a total value of £1.95m per year to these 2,000 people***
>
> · *These houses would continue to have this value in subsequent years provided that they were kept in good condition.*
>
> · *The overall value to society of this intervention could be understood by comparing the costs of building and maintaining the houses to the value that people place on the housing for the life of the houses. "*

(Fujiwara and HACT, 2013, p. 28)

A further example, relating to the Wellbeing Evaluation of employment is:

> *"… below we will derive an indicative value for employment, which will show the value individuals attach to being employed, will be a useful gauge of the value created by HA's employment and enterprise services only if we can make some assumptions about how many additional people an association helped get in to employment.*
>
> *For example, the study found that unemployment works out at a cost of **about £8,700 per year, using the WV approach and n**ote that this is in addition to the loss of wage income and hence should be seen as the non-financial costs of unemployment (i.e., they relate to the emotional costs of unemployment).*

(Fujiwara and HACT, 2013, pp. 31–33)

The method is also used to evaluate health problems - with depression or anxiety estimated at around £43,453 per person per year, almost twice the figure associated with the next most significant value, associated with alcohol or drug-related problems (Ibid. 2013, p. 33).

Fujiwara draw attention to the emergence of innovative methodologies – using resources such as WikiVOIS[14] and Community Insight mapping tool[15] – that are capable of building a common language for evaluating social value, but agree with Parvin et al. (2011a, p. 33) and Chevin (2013) in noting that further work is needed in developing practical tools to enable housing providers to make use of the insights in this and follow-up research, to support decision making and impact reporting within their organisations, particularly a robust model capable of integrating the social value metrics being generated by current and ongoing research with asset valuation models used by housing providers (Fujiwara and HACT, 2013, p. 47).

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[14] The WikiVOIS database as been initiated by the SROI Network and aims to provide a comprehensive database of tools and terms for measuring social value. Please visit http://www.wikivois.org/index.php?title=Main_Page to find out more.

[15] Community Insight is a Geographic Information System (GIS) based tool providing online community mapping and reporting for housing providers, developed by the Housing Associations' Charitable Trust (HACT). For more information, please visit http://www.hact.org.uk/communityinsight .

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