

This document is one of a series of information snapshots to be provided in conjunction with a detailed review of literature associated with this current SBEnc research project.

INTRODUCTION

This SBEnc project is investigating liveable and affordable higher density housing opportunities, with a focus on urban precincts. Key issues being reviewed include:

- 1) Liveability outcomes, including accessibility in both homes and the urban precinct in medium and high density housing.
- 2) Adoption of liveable design outcomes, highlighting successful best practice examples, and identifying pathways for adoption and barriers to uptake.
- 3) Understanding the value equation through capturing and demonstrating social and economic benefit to the broader community.
- 4) Exploring next generation thinking in order to maximise future infrastructure benefits and minimise future risks.

The *Composite Return on Investment (CROI) approach* is an outcome of the SBEnc [Valuing Social Housing](#) research project. The aim of that project was to establish a robust methodology for valuing the return on investment of providing social housing, in order to build the case for on-going investment. This composite approach is proposed in response to findings outlined in SBEnc [Rethinking Social Housing](#) research which highlighted that a single method fails to capture the complex nature of the value returned to society and the individual of having access to safe and secure housing.

To address this complexity, a productivity-based conceptual framework was developed where four aspects of productive return were identified: individual; macroeconomic; fiscal; and non-financial. The *Value Social Housing* research identified four areas of benefit being: (i) transformation benefits to an individual; (ii) economic and social benefits to the average individual; (iii) economic and social benefits to the organisation; (iv) and economic and social benefits to society.

THE CROI APPROACH

Elements of the approach

The *Composite Return on Investment (CROI) approach* outlined in detail in *Valuing Social Housing* report was one element of the *strategic evaluation framework* developed in that project. Four different sub-elements were then identified as a part of the CROI approach, to be used in parallel to understand and articulate the broad value of the provision of social housing and to better reflect the return on investment of providing safe and secure housing:

- Sub-element 1 - Social Return on Investment (SROI) - economic and social benefits to organisation.
- Sub-element 2 - Well-being valuation (WV) - economic and social benefits to the average individual.
- Sub-element 3 - Value to the individual - transformational benefits to an individual.
- Sub-element 4 - Value of equity - economic and social benefits to society.

Sub-element 1 - Social Return on Investment (SROI)

SROI is 'used to provide a ratio of impact to \$ input and/or an aggregated dollar return on investment for defined benefits to an organisation which may accrue from the provision of social housing. This is determined through: identifying key outcomes, indicators, and impacts; establishing financial proxies for these; determining a dollar value for this benefit. A detailed guide to this methodology is available on the Social Value UK website' (SBEnc 1.41 2017). The SROI approach 'establishes financial proxies for key indicators along with valuations for impacts. These can then provide a total \$ value for the social return on investment, from which a ratio of inputs to impacts can be derived. For example, 'the Victorian Woman's Housing

Association delivers \$3.14 of social value for every \$1.00 invested' (Kliger, Large et al. 2011). This can be determined from organisational data for establishing scope; identifying stakeholders; mapping relationships between inputs, outputs and outcomes; data to support outcomes and valuing this; establishing impact (e.g., excluding what would have happened anyway); summing the benefits, subtracting the negatives and comparing the result to the original investment (various sensitivity analyses can be applied here); reporting and using results' (SBEnrc 1.41 2017).

Sub-element 2 - Well-being valuation

Well-being valuation method can provide 'headline well-being values for specific financial proxies for improvement in individual well-being for the average person, based on their access to community housing' (SBEnrc 1.41 2017). The Organisation for Economic Co-operation and Development (OECD) has been developing an approach to measuring well-being for several years. Their method explores 'how people experience and evaluate their life as a whole' (OECD 2013) and is based on 'eleven dimensions related to material conditions and quality of life' that they established (SBEnrc 1.41 2017). This method has been further developed in the United Kingdom (UK) to assist community housing associations in measuring the impact of their investment in terms of well-being. The UK approach addresses the impact of the broader non-housing benefits of access to safe and secure housing on an average person's well-being, and places a dollar value on these benefits. [On-line UK-based tools](#) are available for community housing providers to undertake this analysis, which enables them 'to measure the success of a social intervention by how much it increases a person's well-being' (Trotter, Vine et al. 2015). Other approaches to well-being and its measurement are discussed by Kolstad et al. (2014) (see section 3.4.3 and 3.6 of that report).

The UK-based *Well-Being Valuation* analysis builds on the above outlined UK approach and works on the basis of 'finding from the data the equivalent amount of money needed to increase someone's well-being by the same amount' (Trotter, Vine et al. 2015). 'Community housing providers in the UK can access the *Social Value Bank* (drawing on data from four national datasets) to undertake a valuation of their social impact. A *Value Calculator* is available for download from [HACT UK](#) for this purpose' (SBEnrc 1.41 2017). Crucial to this approach is the use of de-identified longitudinal data sets from four national datasets: British Household Panel Survey; Understanding Society; Crime Survey for England and Wales; and the Taking Part Survey. These respectively focus on: (i) *social and economic* changes in individuals and households since 1991; (ii) *social and economic circumstances, attitudes, behaviours and health* of over 40,000 households; (iii) evaluation and development of *crime reduction policies* and provision of information about the changing levels of crime; and (iv) collection of data on *leisure, culture and sport* in England, along with a range of other socio-demographic information.

Sub-element 3—Value to the individual

Individual 'narratives can be used to understand the value of both the housing and non-housing benefits of safe and secure housing. The value a person places on a given amenity such as a home (or a job) varies depending on their life situation. These rich narratives are currently captured in annual reports, and also more increasingly in digital stories' (SBEnrc 1.41 2017). The intent of this sub-element is twofold, to firstly 'determine and account for the nature of the impact on an individual', and secondly 'to articulate to society the value of improving the quality of life for all' (SBEnrc 1.41 2017).

Sub-element 4 - Value of equity

Ianchovichina and Lundstrom (2009) propose that 'sustained, high growth rates and poverty reduction' can only be realised when 'an increasing share of the labour force is included in the growth process in an efficient way'. The International Panel for Climate Change (IPCC) and the OECD provide inputs for the theoretical grounding for this element:

- Inclusive growth - defined by the OECD as 'economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms fairly across society' (OECD 2015).

- Considering non-income related dimensions - represent ‘opportunities and choices that matter for people’s participation in economic life and society’ (OECD 2014). The 2015 OECD ‘report maintains that inequality in non-income outcomes can undermine long term growth’ (SBEnrc 1.41 2017, 29). This can have a spatial dimension, for example, ‘better transport and housing infrastructure can spur growth and improve inclusiveness in our cities, providing vital access assets for economically deprived areas to high-quality jobs and education’ (OECD and Ford Foundation 2015).
- Issues of distributive justice and differential value (Kolstad, Urama et al. 2014). The IPCC approach considers ‘knowledge and data relevant to the impact on individual outcomes, for specific circumstances (e.g., abilities, point in time, etc.) and in given locations’ (SBEnrc 1.41 2017, 30). This provides a way to compare one person’s well-being with another’s through aggregating a person’s well-being at a point in time to create *lifetime well-being* for individuals, and then further aggregated this across people to determine an overall value to society (Kolstad et al. 2014). They also note that ‘improving a person’s well-being contributed more to social welfare if the person is badly off than if they are well off’. The approach ‘implies that a given total of wellbeing is more valuable the more equally it is distributed’ (SBEnrc 1.41 2017, 30).

Further development of the CROI approach

Further work is required for each of the elements, and then their combination, to enable this approach to be applied within an organisation to determine the CROI.

Sub-element 1 is the most accessible of these elements. ‘SROI can be used to evaluate past investments or forecast future investment returns across housing and non-housing outcomes for providing safe and secure housing’ (SBEnrc 1.41 2017, 25). ‘Social Value UK provides good guidance on the SROI process. There are also several accredited organisations in Australia which can undertake SROI analysis’ (SBEnrc 1.41 2017, 26).

For sub-element 2, ‘well-being valuations need to be established for an Australian context, drawing on national and state databases. Ideally, these valuations would be accessible in a similar way to other online resources such as: [HACT UK Value Calculator](#); the [Global Value Exchange](#); and the [OECD Better Life Index tool and website](#)’ (SBEnrc 1.41 2017, 28). The [Australian Social Value Bank](#) is starting to do this.

For sub-element 3, impact needs to be further understood and quantified. This can be further considered through:

1. *type of impact*—the nature of the impact(s) on each person or organization - as outputs or outcomes
2. *scale of impact*—the number of people or organizations affected
3. *depth of impact*—the amount or intensity of change experienced, per type of impact, per person affected - i.e., change in subjectively experienced well-being (McCreless and Trelstad 2012).

‘These dimensions of impact can be determined from qualitative narratives to be gathered via housing providers, commissioned reports, interviews, surveys and case studies and the like (facilitated by the use of mobile technologies for data gathering)’ (SBEnrc 1.41 2017, 28).

Sub-element 4 is the most challenging. Understanding and determining a value for equity aims to build understanding of the importance of addressing differential impacts and quantifying the value different people place on social infrastructure. This can lead to ‘understanding the broader value to society of providing more equitable access to such resources’ (SBEnrc 1.41 2017, 24) across the nine impact domains (as identified in the SBEnrc *Rethinking Social Housing* research). The OECD and Ford Foundation note the importance of including ‘non-monetary dimensions of well-being and to assess the impact of policies on different social groups in terms of employment, health and educational issues and outcomes. For example, those most disadvantaged often live shorter lives and experience difficulty breaking away for problematic educational and employment outcomes’ (SBEnrc 1.41 2017, 29). Kolstad et al. further explore this approach to consider the idea of distributive justice (that equality of well-being does have value). And Fleurbaey (2009) can provide a focus for further investigation, noting that ‘the effect of a change in social value at a particular time is calculated by aggregating the monetary value of the change to each person, weighted by the social marginal

value of money to the person, which is the product of the marginal benefit of money to that person and the marginal social value of their wellbeing’.

In conclusion:

Further detail on the CROI approach and supporting literature is available in previous research reports, and the current project documents. In addition, more information on this project is available at the project website: <https://sbenrc.com.au/research-programs/1-71/> or contact Judy Kraatz, Project Leader: j.kraatz@griffith.edu.au

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