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Sustainable Return on Investment

a presentation the Open Days event of the Commercial Local Urban Districts Programme, Reggio Calabria, 5th July, 2011

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Climate Change

Waste

Biodiversity

Global Warming

Pollution

Environmental

Resource efficiency

Health

Affordable housing

Social Exclusion

Social

Crime

Community engagement

Investment

Financial

Business activity

Economic development

Taxation

Sustainable Regeneration Appraisal: Ideal

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Competitive Advantage

Sustainable Regeneration Appraisal: Reality

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Destined to Make the Same Regeneration Mistakes?

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The Story of Hulme

- Same area that Engles said in 1844 was poisoned by effluvia
- Early 1900's landlords incentivised to improve stock
- 1930's – Wythenshawe Garden Suburb and plans for demolition
- Clearance finally completed in 1960s
- 1970s - Tower blocks and deck-access housing
- 1990 – City Challenge knocks down 70s mistakes and replaces them with mixed use and mixed tenure.

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Start with Social Return on Investment

- SROI measures changes in people's lives
- It tells a story by showing how change is created using monetary units…
- …but it is about value, not money
- The common language created by talking about the cost of things creates a level playing field for a discussion around issues that matter most.

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Social: The Big Issue

Police pay to advertise in the Magazine

The Big Issue invests in housing and skills

The homeless become healthier, are more employable and commit less crime

Magazine Revenue

Assistance to the Homeless

Future saving on State expenditure

Every Euro/pound invested here

Creates 4 here (1:4)

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Add the Environmental Element

- Use existing methods including Life Cycle Assessment and Ecosystem Services Assessment to value (for example):
- Reduction in carbon emissions
- Climate control from green space
- Reduced maintenance (labour and materials)
- Water saving
- Health

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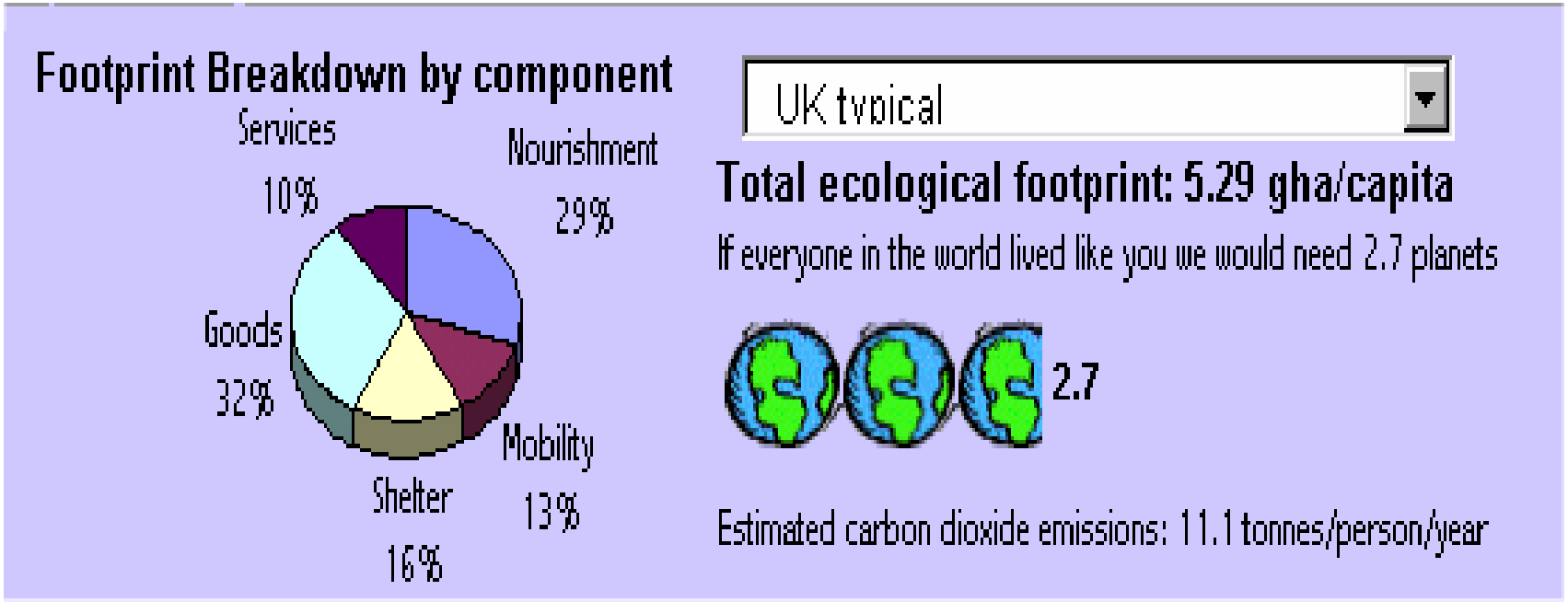
Environment: Resource Consumption



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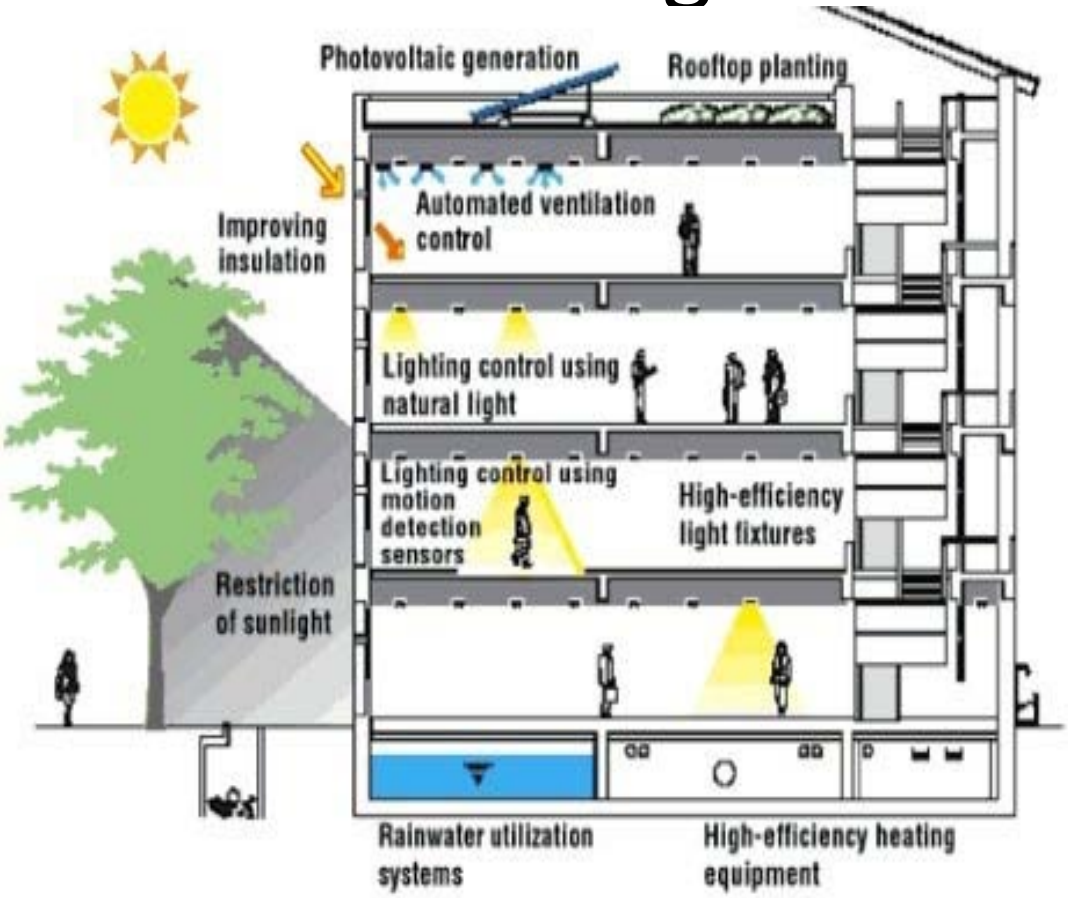
Energy and Climate Change

Technology and behaviour change measures can be part of a new design, or added (retrofitted) to existing buildings to reduce green house gas emissions



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Combining Social and Environment

The combination of social and environmental methodologies to value regeneration programmes can be called **Sustainable Return on Investment**

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New Investment Rationale?

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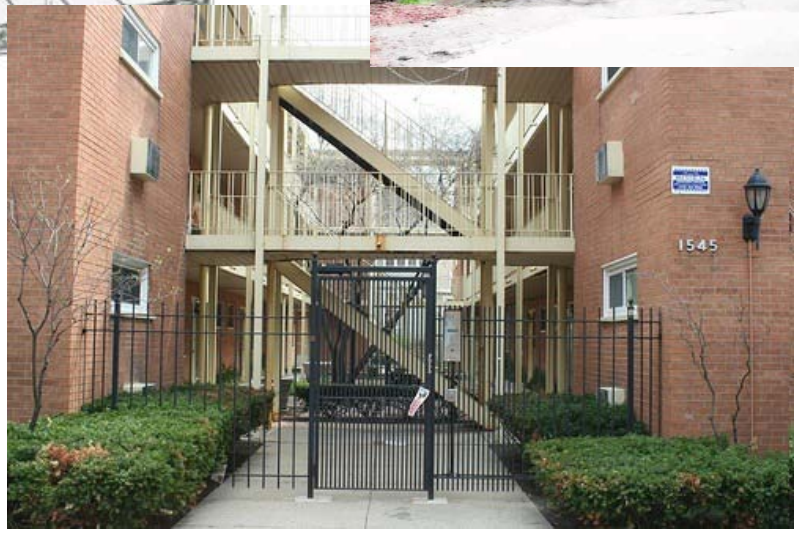
Sustainable Return on Design?



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New Ways to Discuss and Calculate Values of Built Environment Ideas

- Shared Living
- Eco-investment
- Density differences
- Community interaction
- Community facilities
- Green space
- Cohesion innovations

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A Complex Problem: Tomatoes

- Which tomato would you buy after considering social, environmental and economic factors?

Grown in Holland	Grown in Spain	Grown in Scotland by a social business

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Principles of SuROI

- Involve stakeholders
- Understand what changes
- Value things that matter
- Only include what is material
- Do not over-claim
- Be transparent
- Verify the results

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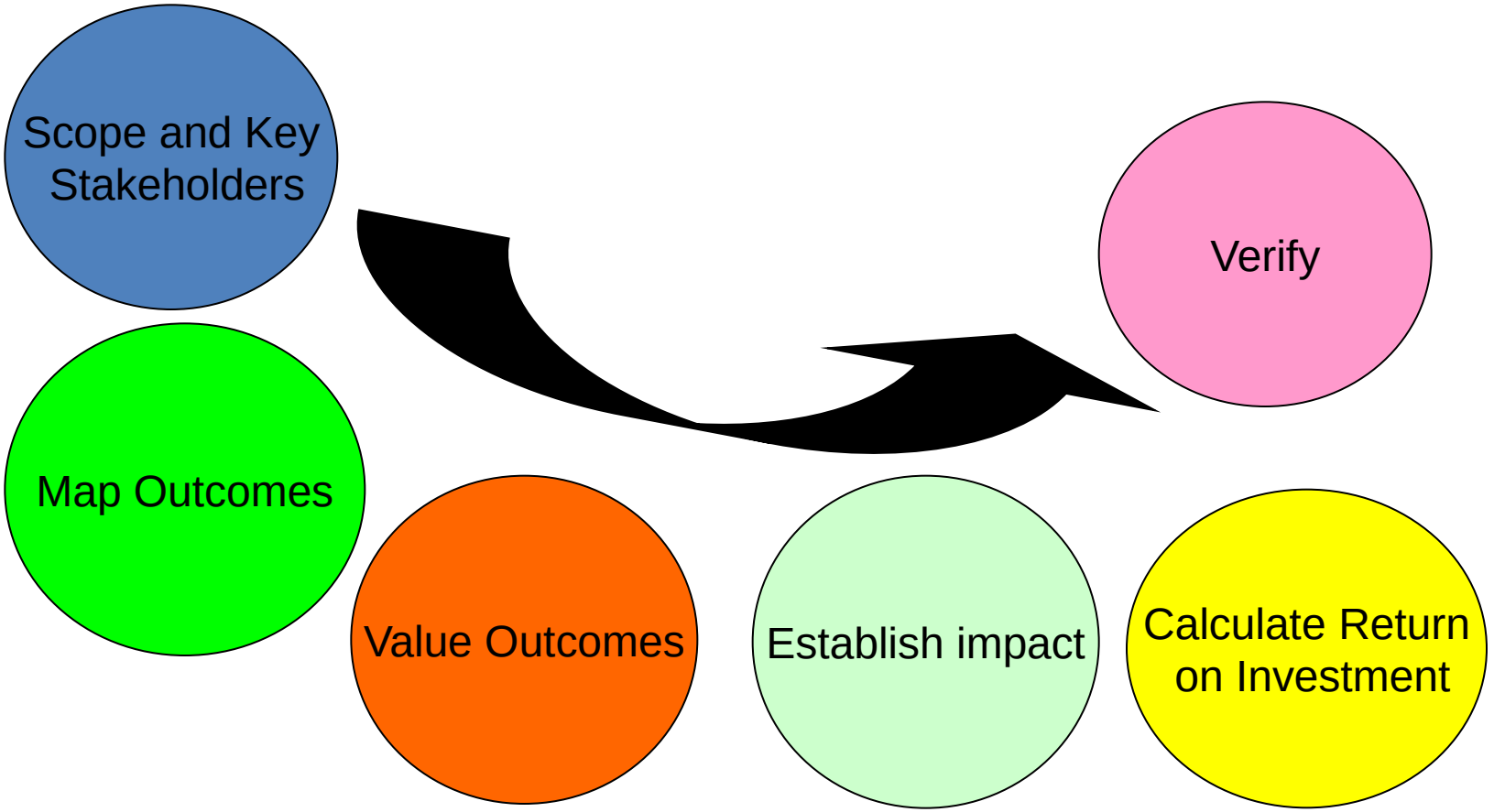
The Mechanics of the Appraisal or Forecast



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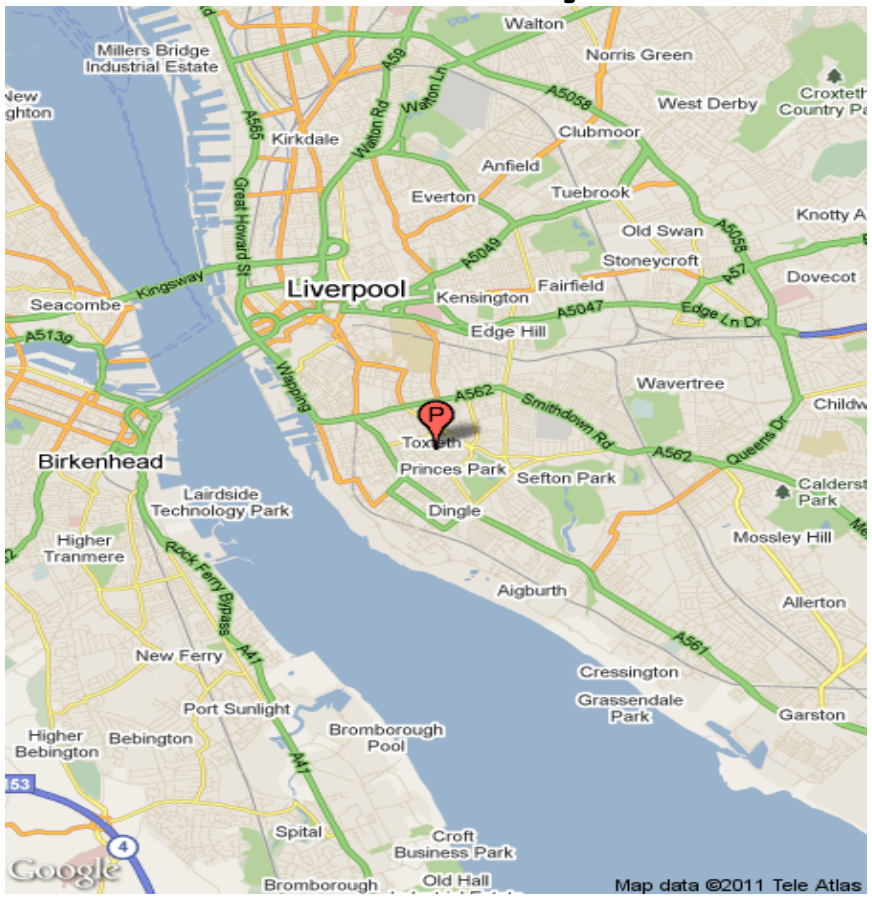
Proposed UK Case Study: Liverpool



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Images of Liverpool 8

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The Plus Dane SuROI project

- Small (less than 5,000 Euros) project to value 10 years of regeneration by a social housing company (Plus Dane)
- Motivation for the project:
  - Requests for funding will need to be backed by robust arguments to justify need
  - Added pressure on tenant's (finances) could mean more responsibility falls on landlord
  - New income streams (e.g. Everybody Online) need to be properly valued
  - Need to value new investment options

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Stage 1: Scope

- Scope has already been done for the Plus Dane project and includes:
- An area in L8
- Youth Inclusion Programmes
- Housing Low Energy Retrofit Programmes (delayed)

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Phase 1: Identifying Stakeholders

- Defined here as ‘people or organisations that experience change, whether positive or negative, as a result of the activity being analysed’.
- Need to list all those who might affect, or be affected by the activities in the scope (whether intentional or unintentional)
- Produce lists with reasons for inclusion

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Phase 2: Mapping Outcomes

- Need to construct an 'Impact Map' for the whole scope of the project, and then:
  - Identify inputs (what has been invested?)
  - Value inputs (including both cash and time)
  - List outputs (summary of all activities in numbers)
  - Describe outcomes (description of the changes as a result of the activity)

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Big Issue Example

- Inputs – Time invested by the homeless, time from Big Issue staff and volunteers, food and shelter at foyer
- Outputs – Life skills classes, transition to work placements, furnished accommodation
- Outcomes – Better health and no arrests, regular employment, own home

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The Answer

- Total value of (adjusted) outcomes, less the value of inputs = Net present value
- Can be expressed as a ratio
- For example, if the total value is £50,000, and the staff, volunteers and materials cost £25,000, then the ratio would be 2:1
- OR you could say that the activity generates £2 for every £1 that is invested

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Final Phases

- How is change measured? (indicators)
- How much change and how long did it last?
- How do you value the change (proxy)
- Reality checks (happened anyway?, moved problem elsewhere?, did others help?, did the effect wear off?
- THEN... Calculate the impact

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SuROI Exercise

- A regeneration area has a large three-story Victorian warehouse owned by the City in a community that has little retail and high unemployment.
- The proposal is to use public money to develop the ground floor of the building as a multiple retail units including:
  - CD shop and performance space
  - Café and remote catering service
  - Bicycle repair and local courier service
  - Waste to product workshop

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SROI Exercise

- The workforce are at-risk youth being offered an outlet for entrepreneurial flair and exposure to regular work
- The anchor clients for the products are public sector bodies
- Some are also anchor tenants on the upper floors of the building.

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Questions

- Who are the key stakeholders in this project
- What are the potential outcomes of such a project in terms of the following factors:
- The Environment
- People affected by the project; and
- The Economy

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A Sustainability Visioning Tool

- Originated from the Natural Step's interpretation of Back Casting
- Known as The Funnel
- Can be used to map sustainability scenarios for past or future regeneration programmes prior to valuation

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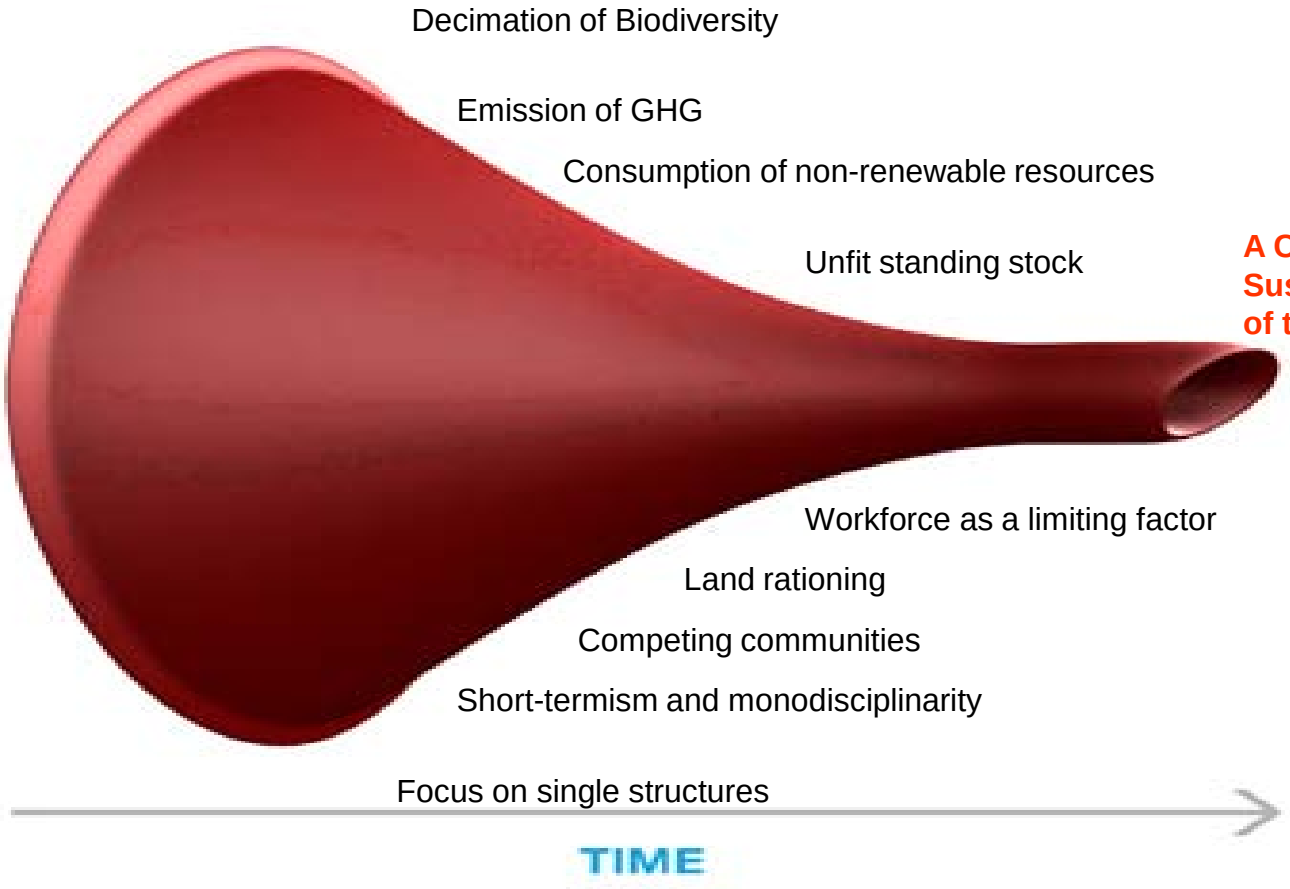
Point of Entry into Decision-making for the Project or Programme



After The Natural Step

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Incremental Sustainable Decision-Making

How shall we build Sustainable Communities in the Future?

Achieves the Sustainable Intention of the Vision

Next Phase: Choices closer to vision

First Phase: Best practicable option, a few sustainable features

Decision Points

TIME

After The Natural Step