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Civitas Social Housing PLC
Social Impact Report 2017

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This report is the first Interim Impact Report prepared by The Good Economy Partnership (TGE). TGE carries out an independent review of the social performance of Civitas Social Housing PLC on a semi-annual basis. For this report we interviewed the management and staff of Civitas Housing Advisors, interviewed a number of partner providers and analysed Civitas' housing-related data. TGE will work with Civitas to further develop their social impact measurement and reporting framework over the coming period.

October 2017

Civitas Social Housing PLC (Civitas) is a real estate investment trust (REIT) that was created to raise private capital to invest in social homes across England and Wales. The social purpose of Civitas is to increase the provision of high-quality social housing to improve the quality of life of low-income and vulnerable people in social need. It provides long-term income to its shareholders while putting their capital to work for social benefit. Civitas was admitted to the London Stock Exchange in November 2016 in a £350 million offering, making it the first social housing REIT to list on the exchange.

Civitas aims to help tackle the chronic shortage of social housing in the UK. Social homes, those supplied by Housing Associations and Local Authorities in England and Wales, account for approximately 17.5% of total housing stock (approx. 2.65 million properties). These homes are provided by around 1,500 Housing Associations and many Local Authorities.

Despite the scale of the sector there is today a widely recognised chronic shortage of all types of social housing in England and Wales, with approximately 4.5 million people having qualified for social housing sitting on Local Authority housing waiting lists. Over the last 10 years the proportion of social housing has fallen from 45% to 20% of all new homes built. This fall is partly due to the level of capital subsidy, which has been progressively reduced as governments of all political persuasion have pushed Housing Associations towards replacing public subsidy with private finance.

Civitas is providing part of the funding solution to the social housing crisis. Its strategy is to acquire portfolios of built social homes in England and Wales that are managed by Housing Association or Local Authorities (also referred to as "Registered Providers"). Working in partnership with Registered Providers, Civitas helps them unlock capital held in existing social homes for new development. Civitas also purchases existing private properties and brings them into the social housing sector to be managed by Registered Providers and provided to social tenants on a long-term basis.

Civitas invests in social homes designed for specialist supported living, typically both for those with mid- and upper-level care needs or with other support requirements as well as standard general needs homes. Revenue is generated from rental income from long-term leases and occupancy agreements of typically 10 to 40 years. Today almost 100%

of rental income is from central or local government which supports low-income and vulnerable people to meet the costs of housing and care that they are unable to afford themselves.

Civitas' focus is on preserving the availability of social homes within the social sector and ensuring that they continue to be made available to the low-income and vulnerable people for whom they were intended. It is also increasing the availability of social homes through investing in properties to be newly managed by Registered Providers.

Civitas is also committed to supporting the work of relevant charities in the homelessness and social housing sector and plays an active role in supporting research, policy and action to solve the UK social housing crisis. This is reflected in the partnership with the national homelessness charity Crisis. Civitas sponsors the Crisis Renting Ready programme, designed to assist homeless clients to achieve a home, and also contributes more broadly to the work of Crisis.

Civitas Housing Advisors (CHA) is the Investment Advisor to Civitas and is responsible for the origination of the investment portfolio and its day-to-day management and improvement.

Civitas operates an innovative finance model successfully mobilising capital at large scale from private investors with a long-term horizon, seeking modest returns and investing it into the social housing sector to achieve both financial and social returns.

Social impact assessment methodology

Civitas is a social impact investor that aims to deliver positive social impact alongside a financial return. Impact investing adds a third dimension – **impact** – to the traditional financial investment considerations of risk and return. Civitas integrates social value considerations into all stages of the investment process. It is committed to measuring, managing and reporting on its social performance, ensuring transparency and accountability to all its stakeholders, including residents, Registered Providers and shareholders.

Civitas’ three principal social objectives are to:

- 1. Increase the availability of social housing across England and Wales, particularly for vulnerable people.
- 2. Improve the quality of social housing.
- 3. Offer value for money for the public purse.

Increase the availability of social housing across England and Wales, particularly for vulnerable people

Civitas aims to have a national footprint, investing in social homes throughout England and Wales, particularly in lower income areas where tenants cannot typically afford private accommodation or care. It also aims to bring new properties into the regulated social housing sector, increasing the availability of social housing overall.

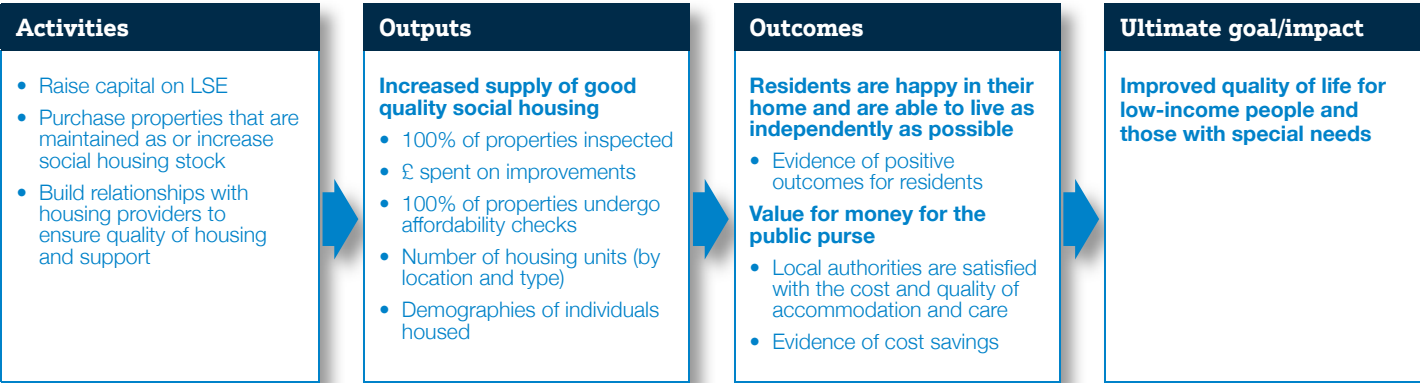
Improve the quality of social housing

Civitas is committed to ensuring all properties are renovated to high-quality standards. It achieves this by commissioning independent inspections of all properties it is considering purchasing, including checking the overall condition of

the property, as well as the gas and electricity fittings and other safety aspects. Civitas arranges for payment of the costs of any improvements needed and ensures these are fully inspected. It enters into full repairing leases with the Registered Provider giving due consideration to how these are funded and in particular working closely with the Registered Providers to evaluate underlying long-term need for the services being provided under the leases.

Offer value for money for the public purse

Civitas aims to deliver social housing that has lower costs than alternatives (often long-stay institutional care) but with high-quality social care delivery. It benchmarks 100% of rents and also commissions Support Solutions UK to carry out an independent rent review for all properties to ensure rents are affordable and fair value. Investing in supported living accommodation rather than institutional care can result in real cost savings for government and better social outcomes for residents. The Good Economy (TGE) will work with Civitas and its partners to evidence and provide more data on both the financial and social outcomes of Civitas’ portfolio over time.



The policy context

Civitas is supporting delivery of the National Transforming Care and Specialist Supported Housing Programmes

The Winterbourne View Scandal and resultant report by Sir Stephen Bubb exposed systemic issues in the care system. It revealed that many people with learning disabilities or challenging behaviour were being placed in inappropriate care settings, staying far too long in hospitals or institutional care homes and, in some cases, were subject to physical and mental abuse.

In 2016, to drive the desired substantial reduction in reliance on residential and inpatient care, the Department for Health published the National Transforming Care Programme. This sets out a clear programme of work which will encourage system-wide change to enable more people requiring care to live within communities, with the right support whilst being close to their friends and family.

A key element in the delivery of these aims is Specialist Supported Housing (SSH). This differs from conventional general supported housing in that it is developed directly in accordance with Local Authorities’ strategic priorities and there is no capital subsidy provided. SSH offers a high-level of support and is designed, structurally altered, or refurbished to offer specialised services to allow people requiring care to live, or adjust to living, independently in the community.

Civitas is one of the first providers of private capital for Specialist Supported Housing.

There is growing recognition among policymakers and care commissioners that Specialist Supported Housing not only provides an effective and viable alternative to residential care, but also that it can ease the burden of rising costs on Local Authorities.



Performance highlights

During the nine month period
December 2016 to September 2017,
Civitas has committed:

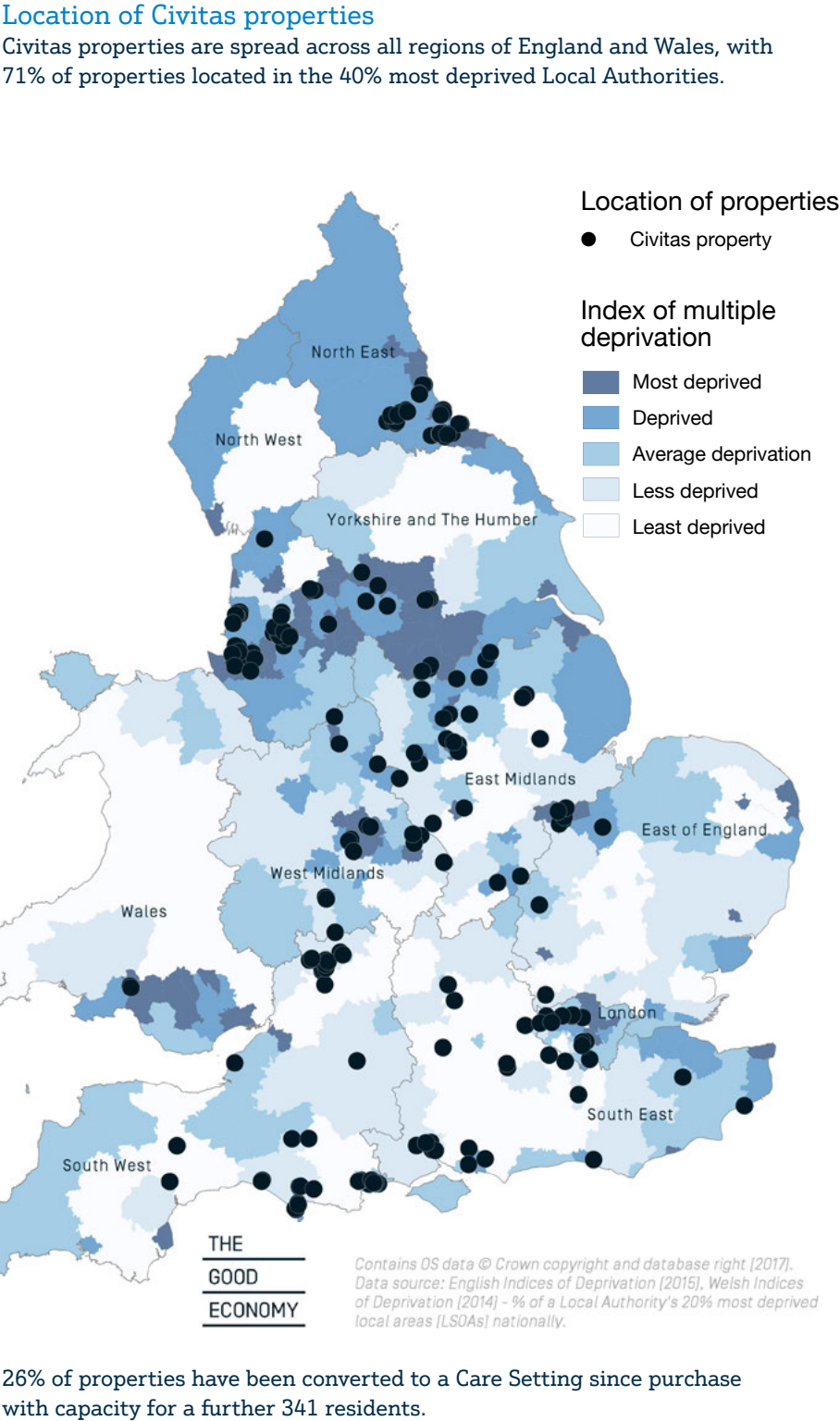
£284m
to

19 investments
with

10 Registered Providers
comprising

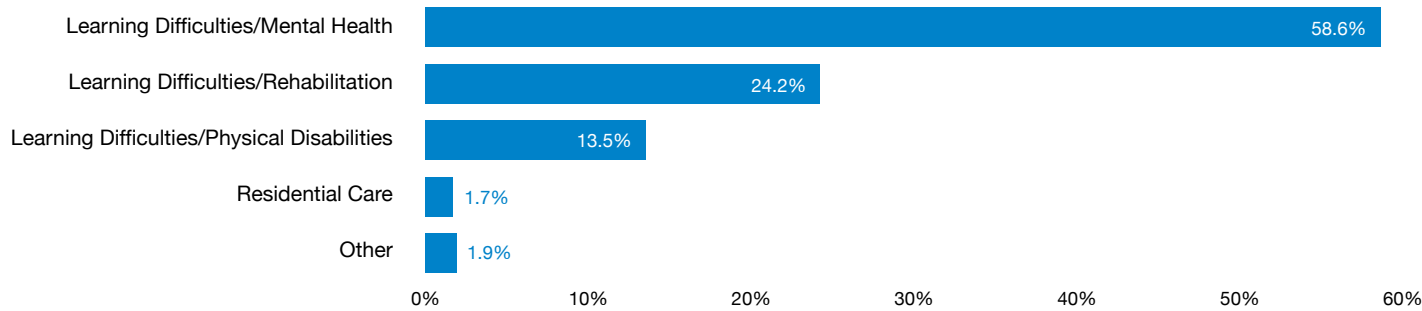
282 properties
providing care for up to

1,820 people

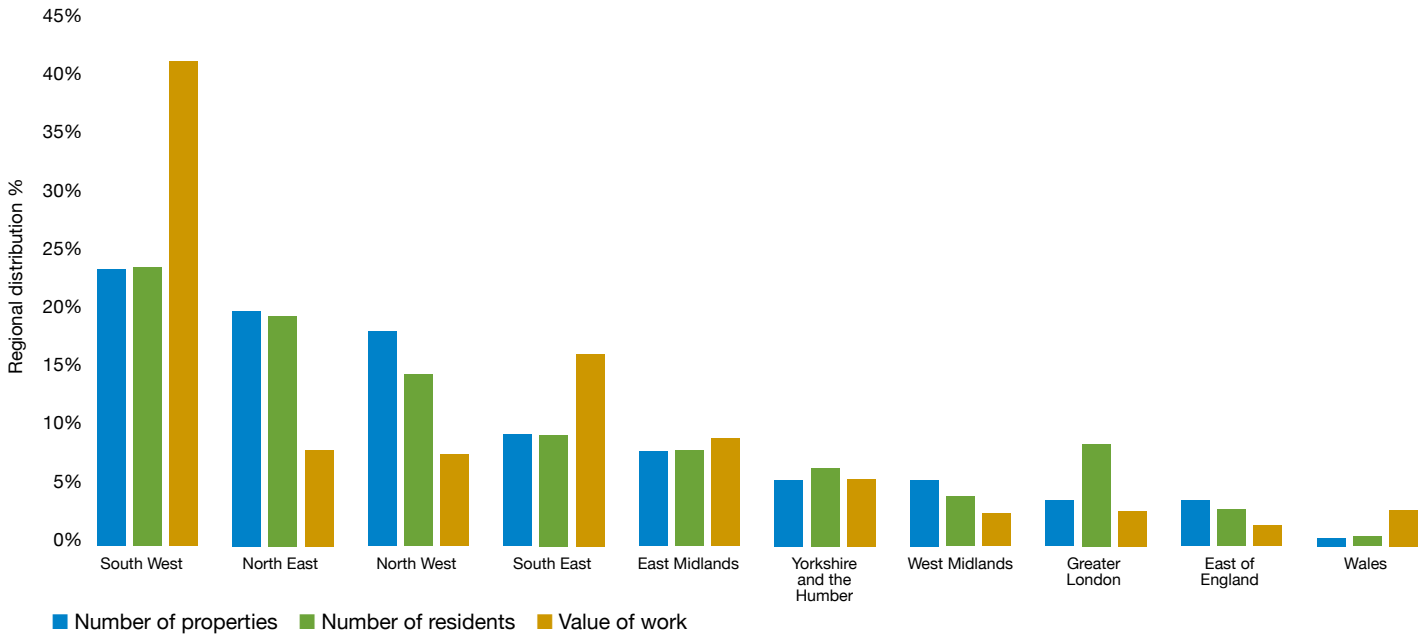


Who benefits?

Percentage residents by care type



Regional distribution of the number of properties, capacity and value of current works



Portfolio case studies



Westmoreland Supported Housing Association (WSHA)

How WSHA began

Westmoreland Supported Housing Association (WSHA) was established in 2002 as a not-for-profit housing provider by Pat and John Finney. The inspiration for this came from their son Nigel, who was born prematurely and suffered brain damage at birth, leaving him with learning difficulties and limited physical ability. As Nigel grew up and aspired to move on from the care of parents Pat and John, it became apparent that there was a lack of suitable supported living facilities. Pat and John therefore decided to convert their six-bedroomed family home into a house suitable for supported living. Nigel moved into the property, together with three friends from the local community also requiring care, along with a support provider, and Westmoreland Supported Housing was born.

Growing to meet an unmet social need

As other families with disabled children began to approach Pat and John about options for supported living, it became obvious there was a genuine demand for this type of facility. More specifically, there was a clear demand for the kind of specialist supported housing which would allow disabled adults a greater degree of independence, and their parents a greater degree of freedom from the commitment of round-the-clock care.

The family ethos of Westmoreland remains. WSHA works closely and regularly with the tenants themselves, their family members, and their support providers to cater most effectively for the type of support required. Many of WSHA's employees are themselves parents of disabled children or have direct experience of the difficulties of finding appropriate care and living facilities, which lends a personable and empathetic touch to the nature of the support provided. "Our staff have personal experience of disability so we're on the same side as our clients", says Yvonne Lee, CEO of WSHA. "All of our properties are designed to be a home from home and we like our tenants to treat their house as their home."

Civitas providing funding for scale-up

In 2016, WSHA was ready to expand to meet demand, however, it didn't have the funds to purchase more properties. Civitas has proved an ideal partner and working in partnership, Civitas and WSHA identify properties that are suitable for supported living. Civitas then purchases the properties, facilitates renovation and arranges for them to be fitted out to meet the individual's care needs and leases them back to WSHA. WSHA uses its expertise and experience to manage the properties and liaises with the Local Authority to ensure appropriate care is provided by qualified external support providers.

From the original conversion of the
Finney family home 15 years ago,
today WSHA provides for the care of



over 900 residents

in



more than
200 properties

all over England and Wales

"Civitas has allowed Westmoreland Supported Housing Association to reach out and provide good quality homes and supported living to a far larger number of people than we otherwise would have been able to."

Yvonne Lee, CEO of WSHA





Portfolio case studies



Providers of Accommodation and Support Housing Association (PASHA)

PASHA's role

Providers of Accommodation and Support Housing Association (PASHA) is a registered charity and Housing Association. PASHA offer a vital and unique support service to the most vulnerable adults in the community across the South West of England. Working alongside people facing a variety of challenges in their lives, PASHA's clients include those with a history of offending, people with mental health issues, those experiencing homelessness and people with current substance and/or alcohol issues, as well as those in recovery. Working together with its sister company, PAS Ltd., PASHA provides vulnerable individuals with a home, as well as offering support services designed to assist clients to build on their education and life skills and, ultimately, to support their capacity to live independently.

Beyond housing

Central to their work is the understanding that recovery and rehabilitation relies on more than simply having a place to live. PASHA's wider support network encourages independence and develops the capacity for coping strategies which support individuals, after a period of stability, to reintegrate into the wider community.

Initially established in 2002 to provide support to a small number of refugees, today PAS Ltd. houses and supports over 300 people across the South West, with PASHA providing landlord services to almost 90 vulnerable individuals across Dorset and Cornwall. Through working with borough councils in Bournemouth, Poole and Weymouth, PASHA provides housing-related support services, using an array of schemes to offer a 'step-down service' to help clients work towards independent living. The service's most vulnerable clients are placed in short-term accommodation, and PASHA's support network is directed towards enabling onward progression in to medium and long-term accommodation, with the overall goal of reintegration into the community.

Civitas facilitating growth

In August 2017, Civitas completed the purchase of 21 of PASHA's supported living facilities, with 183 tenancies, for a total consideration of £22.9 million. The properties in this portfolio, which have been adapted for use as specialist supported living facilities for those with physical and/or mental disabilities or other needs, will be leased back to PASHA, who will be responsible for management of the properties.

Whilst this is the beginning of a longer-term partnership, Civitas' involvement presents an exciting prospect for PASHA, with the injection of funding expanding their capacity to provide support to a greater number of people than would otherwise have been possible. At a time in which the provision of housing is in short supply and the social care sector is severely underfunded, Civitas is able to support social housing providers, such as PASHA, to restructure their portfolio and the maximum amount of resources can be directed towards providing vital tenancy and support services.

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21 properties
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for PASHA

Employee spotlight



Nikeel Hussain
Head of Research & Development

Nikeel began working with Civitas in February 2017. TGE interviewed him to find out more about his background, what motivated him to join Civitas, and the nature of his job.

Nikeel's interest in social policy emerged through studying politics at university and his career in the social housing sector is driven by a genuine desire to address issues of societal welfare and to deliver on social outcomes.

"It was clear to me when I joined the sector that the under-provision of quality, affordable housing was failing to deliver the most basic of social needs. Housing was moving up the political agenda and would require diverse contributions to resolve – I wanted to be a part of that."

In 2011, Nikeel began working for Catalyst, a G15 London Housing Association. Working in a range of roles, including as a Rents Income Officer, Nikeel gained first-hand experience in offering practical advice to help people sustain their tenancies and retain their homes. As a Neighbourhood and Regeneration Manager, he was involved in investments in housing for the long-term improvement and sustainability of communities.

Nikeel's front line social housing sector experience gives him a broad understanding of both the systemic issues present in the sector, as well as a compassionate understanding of the importance of the provision of affordable housing to individuals and families in social need.

Having later moved into restructuring resident services and business development, Nikeel left Catalyst after six years. He began working with Civitas in February 2017, where his role now centres around carrying out research for potential investment opportunities in social housing, and monitoring and reviewing the progress of acquired properties. This role requires Nikeel to meet senior leadership teams, and to visit schemes in person, allowing Civitas to gain a personal

understanding of the client groups, and ultimately the investments in which they are involved.

Civitas' fundamental objective is to provide and increase the stock of affordable housing to those in greatest social need, so ensuring that Civitas' and Registered Providers' outlook and objectives are aligned is an essential part of Nikeel's job and the key to excellent service provision.

"In the first place, we are focused on working with partners who share our social objectives and then – once the team is happy with the quality of a property, and we've confirmed its long term suitability as a home for supported living, do we move forward with an investment."

The combination of Nikeel's personal approach with his professional experience is perhaps best demonstrated through the questions he asks himself when analysing a new portfolio:

1. "If I, or a family member were to move into a proposed property and management structure, what would the journey and experience involve? Would I be happy to move into this property?"
2. What is the long-term viability of each proposal. Are we satisfied that the service and benefits can be delivered to the client group for the long term?"

Nikeel's work with Civitas makes a significant contribution to bringing housing back within the reach of those who need it most.

Case study



Crisis: Together we will end homelessness

Crisis is a national charity for the homeless. It works to provide vital support so that people can rebuild their lives and are supported out of homelessness for good. With 50 years experience of working with homeless people, Crisis campaigns for permanent change, as well as offering one-to-one support, advice and courses for homeless people across England, Scotland and Wales.

In 2016, Crisis helped 10,000 people on their journey out of homelessness, with 1,000 of those progressing to external education or securing a paid job.

Yet, today homelessness in Britain is increasing. The combination of welfare reforms and the cost of private rental accommodation are resulting in growing numbers of people at risk of becoming homeless. Crisis estimates that 160,000 households – 0.25 million people – are in an acute housing situation. Rough sleeping levels in England alone have increased 132% since 2010 and 16% since 2015 according to official figures. The cost of inaction is severe.

Civitas has entered into a partnership with Crisis. Jon Sparkes, CEO of Crisis describes how Civitas' value has three dimensions:

1. **Grant funding** – Civitas is funding one Housing Trainer position for 'Renting Ready', a training course run by Crisis that helps vulnerable people build the skills they need to live independently and successfully manage their tenancies. Last year, through the work of these coaches, Crisis was able to place 800 homeless people into secure housing.
2. **Knowledge sharing** – CHA's senior management have offered the Crisis team their thoughts and advice on how to get political, business and investor stakeholder engagement towards ending homelessness.

"Civitas have offered us free advice, particularly around business strategy and investment, that is tremendously valuable and goes far beyond how the average corporate engages with a charity. It feels like an equal relationship with us both committed to solving the problem of homelessness."

3. **Raising awareness** – Civitas' marketing strategy and its presence more broadly within the corporate and financial sector brings the challenge of homelessness, and the work of Crisis, to the attention of audiences who may otherwise remain largely ignorant of such issues. Jon Sparkes comments: "It is too soon to judge if this exposure will have any real impact but it's an area we will watch closely."

Both parties are committed to building the partnership over the long term.

"What has impressed me about Civitas is not only do they want to build social purpose into their business model, but they are trying to solve the housing problem on all fronts."

Jon Sparkes, CEO, Crisis

Final reflections

Civitas has proven that commercial investment models can be used to achieve social good. The first REIT to raise private capital to invest in social housing in England and Wales, Civitas is meeting the urgent need for more funding for affordable homes. TGE’s first Social Impact Report provides encouraging evidence that Civitas can deliver on its social objective of increasing the provision of high-quality social housing to improve the quality of life for low-income and vulnerable people in social need while delivering financial returns to long-term investors.

TGE have learnt that:

- **Having shared social objectives and shared values is key.**
Civitas is selective about the partners it works with and will only proceed with an investment when it is confident that the Registered Provider is also committed to delivering the best quality housing and care to residents.
- **Integrating social impact considerations into all phases of the investment process is critical to delivering on social outcomes.**
Civitas invests considerable resources into appraising the geography and quality of properties, ensuring works are carried out on all properties to meet high quality and safety standards.
- **Being person-centred is vital.**
Civitas always takes a long-term view of the investment and only invests in properties that are intended to remain as social homes for residents with a significant proportion of investments being made in areas of high deprivation.

In summary

Civitas intends to continue to enhance its monitoring and reporting of social outcomes and will continue to report to shareholders and other stakeholders through future impact reports.

Civitas has developed an innovative financial model that is helping to tackle the challenge of a lack of affordable housing and quality care for those in need. As a listed investment vehicle it offers all investors – both institutional and retail – the opportunity to invest for both a financial and social return.

This is a new social investment market bringing together the private, public and social sectors. It requires building awareness, trust and understanding but already Civitas is demonstrating, through its multi-disciplinary team and approach, that it can deliver both financial and social value.