

ASTER
GROUP



everyone
**HAS A
HOME**

ECONOMIC
I M P A C T R E P O R T

2019

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**HAS A
HOME**

A MEASURE OF SUCCESS

Access to housing is no doubt one of the fundamental socio-economic issues of our time and housing associations, more so now than ever, find ourselves playing a critical role in solving the challenges playing out in communities up and down the country.

In 2015, when government rental caps on affordable housing were put in place and grant funding was cut, we as housing associations had to entirely change our business models. It's rare for businesses in any sector to have to confront such a dramatic change in revenue sources.

Over the time that these cuts have taken effect, Aster has become a much more commercial organisation. We've had to be driven by profit to build more homes and solve real issues felt by multiple cross-sections of society.

Because we sit at the heart of society, we believe it's important to measure impact in as tangible a way as possible. It allows us to better understand our business and ensure our strategy is relevant and helps us make positive contributions to society and fulfil our business objectives.

Getting this insight now is crucial since the demands placed upon our sector are growing. As you'll see in this report, we have made significant headway in meeting challenges head-on. Each year we set a new record for housebuilding across an ever-increasing geography in the south of England. We provide thousands of jobs across the region and have supported the local economy to the tune of £208 million in 2017/18 when assessed using Gross Value Added (GVA) – a measure of economic contribution that gives a value in pounds for the services or products supplied by an organisation.

We're driven by our vision of ensuring everyone has a home. To us, economic strength is a vital part of our business. We're a not-for-dividend business rather than a not-for-profit organisation. We want to create profit. We reinvest it entirely in our business and it allows us to create even more homes and provide new services to customers. Using our portfolio of homes to leverage more finance from private sources is at the heart of our ability to be more proactive than many others in the sector.

We're also using our partnerships with housebuilders and land-led buying to build even bigger housing schemes comprising a wider variety of housing types, in turn helping us generate more profit. With renewed borrowing freedom, local authorities are



BJORN HOWARD, Group CEO of Aster Group

becoming more proactive in instigating new housing projects. Though many councils have the appetite to deliver more homes in their area, they may lack the experience to do so. This makes housing associations like us, attractive partners by providing the skills and capacity to help authorities boost the market.

And our delivery track record has positive effects on the community. Our £2bn development pipeline is creating a housing portfolio that doesn't just help those on the lowest incomes but supports those who are now shut out by the private rented and ownership markets. We've increased our shared ownership delivery over the past five years and are now viewed as a leader in the sector in how we offer the product to people in our communities.

Innovation, purpose and efficiency are going to be even more critical as the true effects of the current housing crisis are felt over the next five years. We already know that we're building at a far greater rate than associations of a similar size to us, and we know that our investment in our own culture and systems is allowing our employees to offer better customer service than ever.

The wider political context has rightly challenged housing associations to build more homes. Our position in society – building something so essential – brings with it scrutiny. So, in our view, it will become increasingly important for organisations like ours to demonstrate how they are acting virtuously and responsibly. This report is part of our commitment to doing so.

STRATEGY

BUILT ON FINANCIAL STRENGTH & HOUSEBUILDING APPETITE

“Being a productive developer and profitable business means we are in the best possible position to deliver a wide range of high-quality housing for people in the communities where we operate.

“Our long-term strategy is to, ultimately, increase the number of homes we build each year until we reach our development target. Sound financial management has to be at the heart of everything we do if we are to achieve that.”

CHRIS BENN, group finance director, Aster Group

Housing associations sit in an interesting position, where commercial viability and social responsibility meet. As such, evaluating economic impact is more relevant for these organisations than anywhere else.

We have a robust strategy built on our strong governance, our aim of building more homes and providing vital services to our communities. Our economic impact is a measure of the success of this.

We own, develop and manage a 30,000-strong residential property portfolio across the south of England – some of the most unaffordable regions of the UK – where the need to deliver a large number and variety of homes to a range of people with wildly different socio-economic profiles is critical.

In the 12 months ending March 2018 (the period the impact assessment covers) we built 939 homes, generated more than £200m in turnover and our pre-tax profits rose 12 per cent year-on-year to £50m. We’ve been able to build on our financial success and deliver homes that meet our social obligations – 89 per cent of the homes we built were for social or affordable rent, or affordable ownership options like shared ownership.

The backbone of this is a good governance structure and we’ve worked hard to maintain our G1 and V1 ratings from the Regulator of Social Housing.

But having social and commercial purposes running in tandem means we are acutely aware that the number of new homes we build is not the only metric of success for us.

We have a duty to go further than just building homes. We need to support the communities that our residents live in – providing local jobs, engaging local suppliers, helping to build up the towns and cities where our homes are located.

Alongside the 90,000 people who live in Aster homes, we also work with more than 300 local businesses in our regions and we are a major employer in Hampshire, Somerset, Dorset and Wiltshire, where 1,200 members of Team Aster live and work.

The Aster Foundation is the work we choose to do over and above our landlord and development activities which fit with the values of our organisation. The purpose is to invest in activities to enable local people in our communities to improve their own lives with these activities aligning with four objectives:

- Sustaining tenancies and improving life chances
- Enabling Independence
- Creating and sustaining the workforce of the future
- Enabling communities to thrive

Aster works with colleagues who want to invest in communities by bringing them the partnerships they need, supporting volunteering and projects with insight and strategic overview and empowering colleagues to learn new skills. As a community enabler, we work with our partners to work collaboratively on projects and upskill organisations; keeping them updated with operational context and supporting them in writing funding bids.

Furthermore, our Independent Living Service is designed to ensure our customers in sheltered and extra care schemes receive an enhanced housing management service to assist them to maintain independence. Working in conjunction with the Aster Foundation, the service provides a visible and consistent service assisting customers in maintaining their tenancy, signposts other services, drives adoption of technology solutions and facilitates a

range of activities that promote inclusion and tackle loneliness. The service aims to have a huge impact on people's lives and aims to reduce the strain on the health and social care sectors. The service is measured by ongoing satisfaction surveys, scheme-based quarterly meetings and is reviewed quarterly by a group of customers across all regions.

All of this – our purpose and our presence – is

quantifiable. By developing an accurate picture of our economic impact, we can create a platform from which to enhance and grow the good we do.

OUR IMPACT

To calculate the true economic impact of our activities, we enlisted the help of market analysis consultant Development Economics.

The assessment evaluated the two key pillars of our operations individually – our construction activity and our day-to-day work in managing and maintaining our portfolio of homes and offering services to customers.

This allowed us to assess the Gross Value Added (GVA) of each portion of our business and the jobs we provide in the community. Our assessment of jobs included direct jobs, those which are directly employed by Aster; indirect jobs, those within our supply chain; and induced jobs, which are created in the wider economy as a result of people directly and indirectly employed by Aster spending money in the community.

CONSTRUCTION



Building homes is at the core of our mission and is why we're so focused on being a commercially successful and socially responsible housing association. Working on a for-profit basis means we can drive funds back into existing homes and services, development, and our Aster Foundation.

This financial strength has enabled us to embark on an ambitious, £2 billion investment programme to deliver over 10,700 new homes in the next seven years.

We're also leading the housing sector in championing the role of shared ownership in solving the housing crisis. Since the launch of phase two of our shared ownership campaign 'Another Way' in 2017, we have seen enquiries about this housing option increase by 25 per cent.

DEVELOPMENT ECONOMICS

ASSESSMENT:

In the 12 months ending March 2018, we built a total of 939 homes, including affordable options and open market sale, with an investment totalling £148 million.



As well as being a major housebuilder in the region, we also have a key role in supporting jobs, with this part of our business providing 1,524 jobs in the area. These include jobs via direct employment at Aster Group, roles in our supply chain and jobs in the wider community that are created by our people and contractors spending money in the area.



GROSS VALUE
ADDED (GVA)



JOBS
SUPPORTED

	SOUTH EAST	SOUTH WEST	TOTAL
DIRECT GVA	20.7	21	41
INDIRECT & INDUCED GVA	9.1	8.84	17.9
£M	29.7	28.9	58.7

TOTAL GVA FROM DEVELOPMENT

MANAGEMENT

As well as our drive to build new homes, we also own and manage more than 30,000 properties across the south of England, and are focused on supporting our 90,000 tenants with housing options that are affordable and good quality.

In 2017/18, we spent £30.4 million on improvements to our customers' homes to ensure we live up to this commitment.

Our efforts to enhance the communities where customers live included nearly £648,000 invested in community projects in 2017/18, more than £35,000 donated to good causes through match funding and 66 working days donated by colleagues through volunteering.

	SOUTH EAST	SOUTH WEST	TOTAL
DIRECT JOBS	493	566	1,058
INDIRECT & INDUCED JOBS	217	249	466
	710	815	1,524

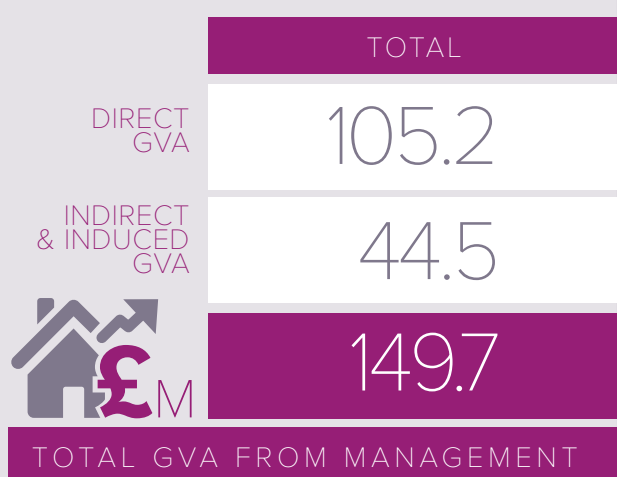
TOTAL JOBS FROM DEVELOPMENT

DEVELOPMENT ECONOMICS

ASSESSMENT:



The economic impact of our property management activities is proportionally much higher (10 per cent) than the average for the residential property management sector, which includes private sector landlords and management firms, local authorities and housing associations.



HIGHER GVA PER
EMPLOYEE THAN THE
SECTOR AVERAGE



JOBS
SUPPORTED

Our management activities support customers with key services and maintain our portfolio of homes. The benefit of this is the creation of 1,809 jobs across our locations.

We are striving to deliver real value to the communities where our homes are located and we think the overall results of Development Economics' assessment show that we are going above and beyond to achieve this.



Our overall economic impact:

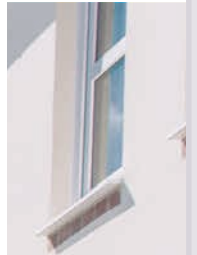
£208.4_M

GROSS VALUE
ADDED (GVA)

3,333

JOBS
SUPPORTED





ECONOMIC

IMPACT REPORTING

Development Economics is a consultant that specialises in measuring the impact of organisations' economic impact in the areas where they operate. Its assessment of our economic impact is based on a range of data from across the business.

It used data on turnover, profit, salaries and employment levels from our annual statement of accounts for 2018, alongside information on our procurement activity, to understand our impact across the UK.

We also provided summary financial details of our expenditure on housing construction activity and day-to-day property management activities across the south of England. This allowed Development Economics to assess the impact of our housing development and management as individual entities and estimate the economic value of each part of the business in the region using two metrics:

- The Gross Value Added (GVA) contributed to the region in 2017/18
- The total number of jobs created

Development Economics' methodology is the same as that used by Homes England to assess the impact of construction activity. For instance, the team excluded land purchase costs to ensure calculations matched with best-practice assessments of this type. It also follows guidance published by the Ministry of Housing, Communities and Local Government and its predecessors on approaches to the economic impact of major projects.

Similarly, its method to estimate the impact of day-to-day management activity is based on conventions set by the Office for National Statistics (ONS). This methodology has previously been used by Development Economics to measure the national, regional and local contributions to economic output and employment of firms including Barclays, AstraZeneca, McDonald's and Ferrero.



Development Economics' estimates of our overall economic contributions were found to include over £208 million of GVA in the south of England and 3,333 direct, indirect and induced jobs.

The 2017 results of the ONS' annual Business Survey showed that the average amount of direct GVA generated per employee in the rest of the residential property management sector in the UK is £79,300. In our case, our property management activity has resulted in a GVA generated per employee of £86,950.

The economic output generated by Aster in our property management activities is therefore approximately 10 per cent higher than the average for the rest of the sector.

This highlights the nature of our business model in terms of delivering new homes and managing our portfolio. Economically, our business is helping generate value in communities through the delivery of quality housing.

BACKGROUND

TO DEVELOPMENT ECONOMICS

“Our study found that Aster contributes significantly to the regional economies of the south of England, through both its construction activity and also via the day-to-day management of its portfolio.

“Development activity is particularly important in terms of employment, with around 1,500 jobs supported either directly or via supply chains. These jobs range from those in building trades through to professional services and haulage. Moreover, the day-to-day activities are estimated to support more than 1,800 jobs directly and indirectly.

“In terms of value-added, we found that Aster contributes nearly £210 million to the UK economy, including around £150 million every year via property management activities. This is a very substantial contribution and is above-average for its sector.”

STEPHEN LUCAS, director at Development Economics

Development Economics Ltd is an independent consultancy providing research, analysis and advice for corporate, public and third sector clients.

Services provided include economic, demographic and social research, and the production of reports including economic impact assessments, feasibility studies, demand assessments, skills and labour market studies and funding bids.

Current and recent clients include major international companies including Barclays, RBS, Lloyds Insurance, Scottish Widows, AstraZeneca, O2, McDonalds Restaurants UK, Facebook, Instagram, eBay and Ferrero.

UK Property sector clients include Berkeley Group, Regus, U+I (formerly Development Securities), St Modwen, Gladman Developments and Watkin Jones Group.

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