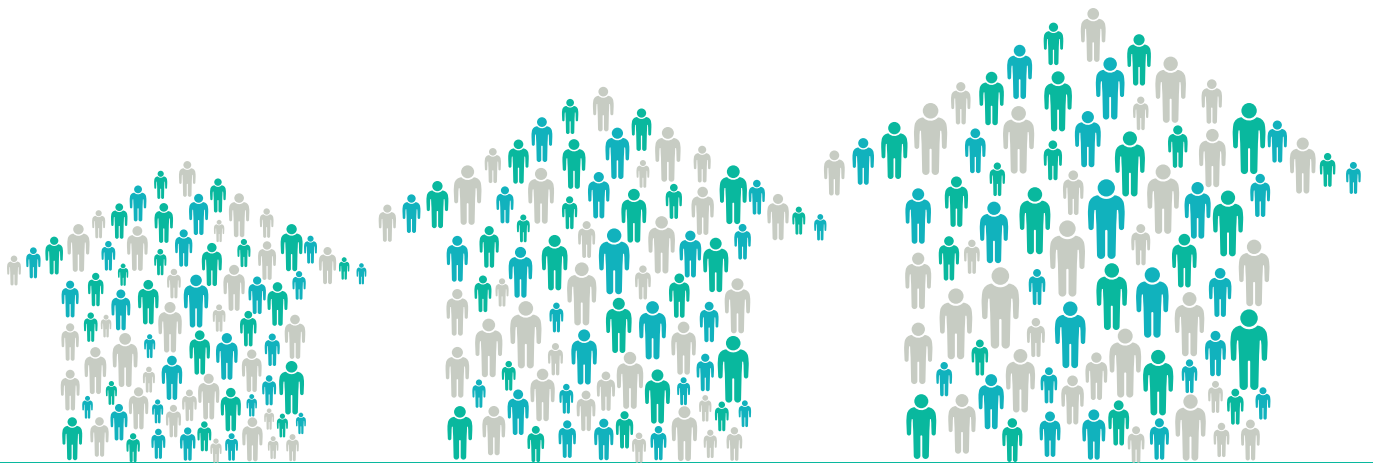


THE  
GOOD  
ECONOMY



# Funding Affordable Homes

Annual social performance review 2016

June 2016

# Introduction

Funding Affordable Homes (FAH) is a social purpose company which builds and acquires affordable housing to deliver financial and social returns for both communities and investors.

FAH launched in September 2015 with the social objective of helping tackle the severe shortage of affordable housing in the UK. This report, produced by The Good Economy Partnership (GEP), presents FAH's social impact assessment methodology and the company's first year results from a social performance perspective.

Lack of affordable housing in the UK has become a major social and political issue. The Government estimates there is a need to build 200,000 new homes a year to meet housing demand. With 1.7 million low-income families and individuals on local authority waiting lists registered social housing providers are under extreme pressure to provide more housing. Homelessness is also rising. At the same time, the affordable homes sector is experiencing significant changes including:

- An overall reduction in grant-funded development of low-cost housing
- A move away from grant funding development of properties for "social rent" (50% market rate) towards development of properties for "affordable rent" (80% of market rate)
- A drive towards state subsidised home ownership

FAH intends to invest in a balanced portfolio of affordable housing investments across different strategies including long-term rent, shared ownership and specialist accommodation (e.g. for the elderly, people with disabilities and homeless). Implementing this strategy requires working in partnership with housing associations, charities, local authorities, house builders and developers.

A key aspect of the FAH funding model and investment strategy is the separation of asset ownership from service management. FAH owns the properties it invests in and enters into long-term management agreements or leases with local housing providers so enabling them to scale up the housing and services they can provide.

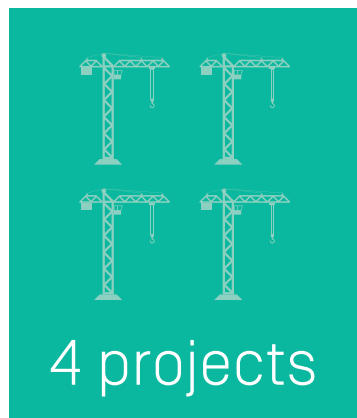
FAH recognises that many social problems are correlated with poor housing – poor educational attainment, health problems, unemployment. Hence investing in housing can have high social returns beyond just housing. Through its investments, FAH aims to play a small but significant part in helping address the need for affordable housing, particularly for those in social need, so helping to ensure that everyone in Britain can have a decent home and a good quality of life.



FAH is funded by a range of private and institutional investors, together with Big Society Capital (BSC) and the Joseph Rowntree Foundation (JRF). BSC is an independent financial institution with a social mission, set-up to help grow social investment in the UK. JRF is an independent charitable trust working to inspire social change through research, policy and practice. Established over 100 years ago JRF researches the underlying causes of social problems, particularly poverty and disadvantage and demonstrates practical solutions in order to influence lasting change.


# Social Performance Highlights

to 30<sup>th</sup> June 2016



## 221 affordable homes

- 72 hostel places for young homeless and six 1-bed move-on flats
- 118 1 and 2-bed 'extra care' flats for the elderly
- 12 1-bed flats for individuals with learning disabilities
- 13 affordable rented and shared ownership homes



c.300 residents



# Social Assessment Methodology

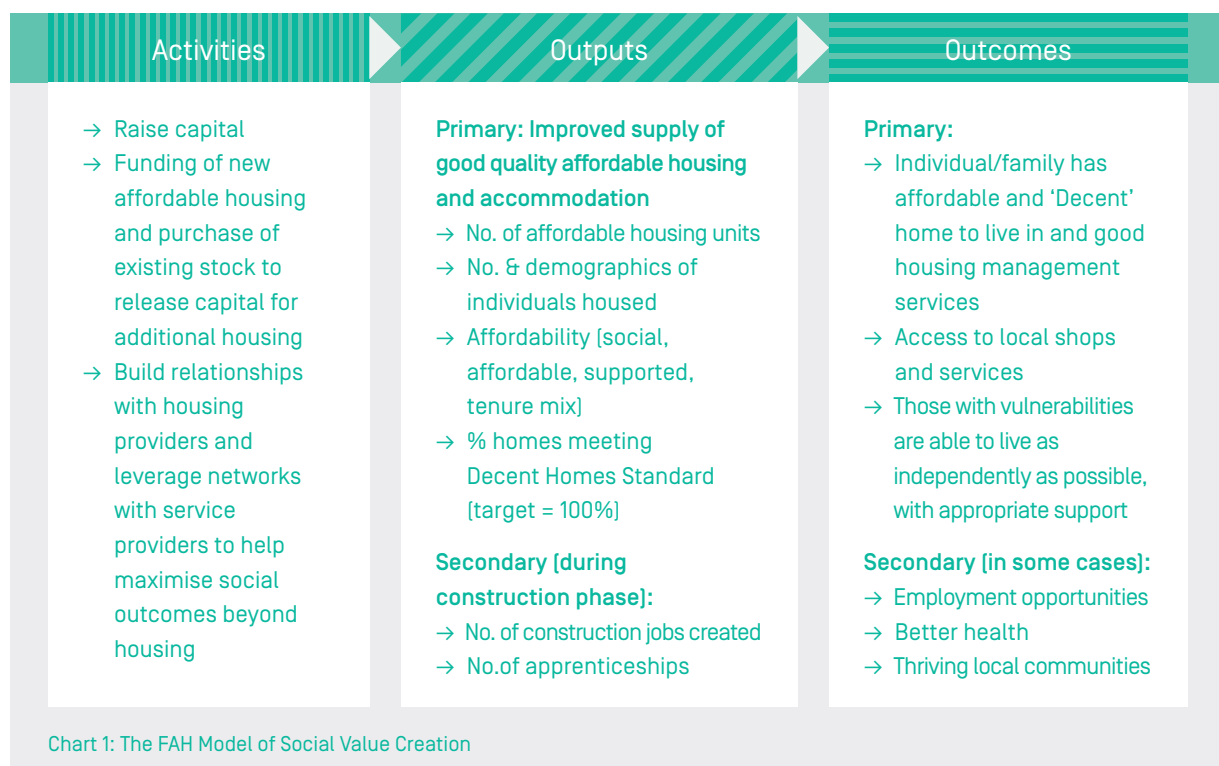
This section describes FAH's social assessment methodology which was designed as a framework to enable FAH to integrate social impact considerations into all stages of the investment process and to measure and manage social performance.

## Mission Statement

FAH has a mission to support the affordable housing sector in the UK, to increase the number of affordable homes, deliver positive social value and provide attractive, stable and progressive returns to investors.

## Theory of Change

FAH has developed a Theory of Change to provide a foundation for its impact measurement framework. A Theory of Change is a tool that shows the path for an organisation from need, to activities, to outcomes, to impact and provides a helpful framework to articulate, understand and measure how impact is created. Key elements of the theory of change and the indicators measured are presented in the diagram below:



## Social Assessment Criteria

Social impact investment adds a third dimension – social impact – to the traditional financial investment considerations of risk and return. FAH assesses all potential investment opportunities for their potential to create social impact using the following six criteria:

1. **Social Need:** Are the properties being funded supplying accommodation to families or individuals from Local Authority waiting lists or who have been identified as having a specific housing need?
2. **Affordability:** Are rents genuinely affordable in the local market context?
3. **Delivery of social outcomes:** To what extent will the project deliver outcomes beyond housing that will make a difference to resident's lives e.g. employment opportunities, improved well-being?
4. **Tenant engagement:** To what extent does the organisation involve residents in management and take into account residents' views to shape services?
5. **Quality of management:** Is there a proven capability and track record of delivering high quality services?
6. **Additionality:** To what extent does FAH funding enable new, affordable housing to be built that would not have been built otherwise?

The FAH investment team carries out an initial screen of these criteria. If the project meets the minimum social performance threshold and is considered a viable investment opportunity, GEP carries out a more detailed social due diligence which includes a site visit and understanding of social value creation from the perspective of all stakeholders – residents, housing association, local authorities and developer. The social due diligence report forms part of the Investment Report which is provided to the FAH Investment Committee to make an investment decision.

## Monitoring Social Impact

All housing providers report to FAH on basic key performance indicators including the number of units, demographics of residents, rental levels, tenure mix, and services provided.


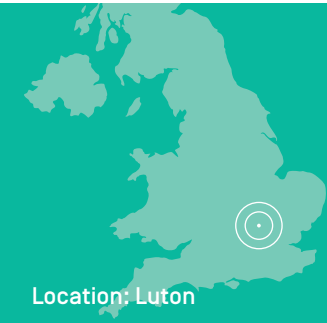
FAH is particularly interested in understanding the extent to which the housing they invest in helps improve residents' lives. To this end, FAH will be commissioning a qualified research firm to carry out an Annual Residents Survey across the properties it owns. It aims to secure first hand feedback on the quality of housing, resident satisfaction and any resultant changes in resident's lives. Through the survey FAH can understand what improvements have happened in people's lives over time. In instances where housing providers gather such information directly (as is the case for many specialist housing providers) FAH will rely on this information, provided it meets quality standards.

### HACT's Approach to Social Value Assessment

HACT is an agency that promotes new ideas and innovation across the housing sector. Together with Simetrica, it has developed Wellbeing Valuation techniques which seek to value housing providers' interventions on the basis of their impact on individual's life satisfaction and places a financial value on these outcomes. These financial values are available through the Social Value Bank ([www.socialvaluebank.org](http://www.socialvaluebank.org)) e.g. the average value of supporting an individual into full-time employment is £14,433. To date, the Social Value Bank has focused on valuing outcomes associated with community investment and more recently homelessness. In theory, the approach could be used to analyse the value of supplying new homes. FAH is keeping a watching brief on this work and may apply such analysis to supplement our existing impact assessment work in the future.

# Review of Investments

## Luton/YMCA Bedfordshire

	<b>Property type</b> Youth homelessness hostel	 <b>Location:</b> Luton
	<b>Investment date</b> October 2015	
	<b>Total potential number of residents</b> 78	

### Project Description and Social Need

FAH has funded the conversion of an office block into a 78-place hostel in Luton town centre which will be managed by YMCA Bedfordshire. There is an acute need for young homeless accommodation in Luton. Luton Council have more than 8,000 individuals and families on their housing waiting list, 800 in temporary accommodation and almost 100 in bed & breakfast, with over 500 aged 16–25 years.

The hostel will provide accommodation for 16 to 65 year old homeless individuals, both men and women. The hostel has 36 two-bed flats and six single occupancy apartment-style units designed as move-on flats to help residents prepare for independent living. The YMCA team will provide training in life skills and personal development with the aim of moving people on into independent living within two years.

### Project Status

The building works were completed in June 2016 and by August the hostel was full. The hostel has got off to a good start with positive feedback from residents (see box).

### Social Performance in 2015/16

#### Source of referral

<b>95%</b>	<b>3%</b>	<b>2%</b>
Local authority	Self	Advice agency

#### Tenant profile [former situation]

Rough sleeping	18
Living with family	17
B&B	16
Private tenancy	13
Hostel	5
Living with friends	5
Hospital	2
Probation hostel	1
Temporary accommodation	1





## YMCA feedback and highlights

"This is wonderful and the best place I have ever lived in."

**Service user**

"'Thank you' for all you do for the residents at the YMCA. As much as its a trial period for everyone you've done your best to help us solve any obstacles living here and you are always working even when you're at home at weekends with answering any emails with any concerns I have or any query!"

**Service user**

"We've recently celebrated a new addition to Midland House – one of our female residents, living in one of the top floor flats, had a little girl. As funds were tight, we were able to raise funds for her to buy a pram and clothing for the baby."

**YMCA manager**



### Ashley House/One Housing Group

 	<b>Property type:</b> Supported living for the elderly (extra care) and for people with learning disabilities	 <b>Location:</b> Harwich and Walton-on-the-Naze
	<b>Investment date</b> December 2015	
	<b>Total potential number of residents</b> 180	

#### Project Description and Social Need

This investment comprises two Independent Living housing projects for people with support needs:

- Harwich – 70 new 1 & 2-bed flats, of which 58 are for people over the age of 55 (extra care) and 12 are for people with learning disabilities.
- Walton-on-the-Naze – 60 new 1 & 2-bed flats for people over the age of 55 (extra care).

Both properties help meet the high demand for suitable housing for older people as set out in Essex Council's Independent Living Programme 2015. Essex County Council has set a target of making available 2,500 Independent Living units as either social/affordable rented units or affordable ownership by 2020.

Harwich and Walton-on-the-Naze are seaside towns in the district of Tendring and have high levels of poverty and deprivation. Tendring ranks the 50th most deprived local authority area in the UK out of 326 and includes the poorest place in England. The towns attract a large number of older people seeking to live by the sea. The Council has identified 643 social care clients who would be eligible for Independent Living accommodation in Tendring and set a target of delivering 174 units by 2020. These projects make a significant contribution to meeting this need.

The properties were designed and are being delivered by Ashley House, a health and social care property partner that works with providers and commissioners in the public, private and community sectors. The company has over 20 years experience starting off as a specialist in developing GP surgeries but today is involved in a range of health related projects, including the design and build of supported living accommodation. The company is a member of the Social Stock Exchange. There is a close values and social alignment with FAH.

Ashley House has developed a business and financial model that enables them to deliver this type of accommodation to a high quality standard, at reasonable cost and for a fair return, in an environment where commercial development companies would typically consider such a project uneconomical to take on.

One Housing Group (OHG) will take over the management of the properties and provision of the majority of support services on completion of construction works. OHG is a major provider of social and affordable housing in London and the South East providing over 15,000 homes.

A Nominations Panel has been established with representatives from Essex County Council, and One Housing Group which will be responsible for selecting





Harwich



Harwich

residents. The flats will be available to people aged 55 and over who have a connection to the local area. The panel aims to maintain a balance of needs within each community. This means a balance of individuals with low care need (6 – 9 hours/week), medium care need (10 – 15 hours/week) and high care need (15+ hours/week).

### Project Status

Both buildings are under construction, with Harwich due to complete in December 2016 and Walton in March/April 2017.



Walton-on-the-Naze

## Social Performance in 2015/16

The construction works are being carried out by E J Taylor, a local, family-owned building and civil engineering business founded in 1963. The company today has 207 employees and approx. £50 million turnover. E J Taylor reported the following social benefits have been created, as of June 2016, through the construction works:

80

Local jobs – No. of workers on-site living within 30-mile radius [both sites]

5

No. of young people (18–24yrs) employed on sites

5



No. of long-term unemployed given employment

£3.2 million

Local spending on suppliers and labour within 30 mile radius [both sites]

Community engagement:  
Have paid a local football club for use of car park

# Housing Solutions

	<b>Property type:</b> Affordable homes – general needs rented and shared ownership	 <b>Location:</b> High Wycombe, Buckinghamshire
	<b>Investment date</b> June/October 2016	
	<b>Total potential number of residents</b> 48	

### Project Description and Social Need

The project comprises the development of 13 new affordable homes (nine properties at affordable rent and four shared ownership) as part of a larger development of 42 new homes which was granted planning permission by Wycombe District Council in April 2015. The main developer is Bellway Homes. The affordable homes which FAH is financing will be managed by Housing Solutions, a local registered housing provider, as part of the Council's Section 106 requirement. The tenure mix has been approved by Wycombe as helping to meet local need for affordable housing and creating balanced communities.

There is clear evidence of social need for this housing development. The housing list in Wycombe has approximately 3,500 households registered. There is currently a severe shortage of housing and affordable housing in the area. The development is in High Wycombe which is a popular area for families given the good local amenities and green space.

The new rented homes are being allocated through Wycombe District Council using Bucks Home Choice Letting System which is the scheme used to allocate affordable housing in the local area. Bids on a property are shortlisted according to the relative priority of

the applicant, taking into account current housing circumstances and level of housing need. Those with the greatest housing need, for example because of vulnerability or risk of homelessness, are prioritised.

Housing Solutions is a leading provider of affordable homes in the South East, which owns, manages and maintains more than 7,500 homes. It operates across seven local authorities in and around the Maidenhead area, where affordability remains challenging for those on low to medium level incomes. Its geographical remit is characterised by high capital values and long waiting lists for housing.

### Project Status

The homes are being tenanted (affordable rent) and part purchased (shared ownership) in the second half of 2016. FAH exchanged in June 2016 and expects completion to take place in October 2016. Social performance data will be reported in next years' annual report.









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