Funding Affordable Homes

Impact Report 2022





Headline Results as of 30 June 2022



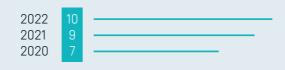
£132.1M GROSS ASSET VALUE (NET OF GRANT)



10 SCHEMES, ALL OF WHICH ARE OPERATIONAL



6 REGISTERED PROVIDER PARTNERS



NUMBER OF OPERATIONAL SCHEMES



768 HOMES



PROVIDING HOMES FOR APPROXIMATELY 1,300 PEOPLE



92% OCCUPANCY RATE*



65% SPECIALIST HOUSING



35% GENERAL NEEDS HOUSING



95% OF HOMES HAVE AN EPC RATING OF A OR B (100% C OR ABOVE)

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This report was commissioned by Funding Affordable Homes SICAV SIF S.A. ["Funding Affordable Homes" and "FAH"] and has been prepared by The Good Economy Partnership Limited ["The Good Economy" and "TGE"], a specialist social advisory firm with expertise in impact measurement and management. The Good Economy supported Funding Affordable Homes in developing its impact assessment methodology and carries out an annual review of its social and environmental impact performance. This report is based on analysis of quantitative data, performance data from partner organisations, resident surveys and in-depth interviews with residents, partner housing associations, service providers, and the management and staff of Edmond de Rothschild Real Estate Investment Management [UK] Limited ["EdR"], the investment advisor to Funding Affordable Homes.

^{*97%} excluding Rosebank, Harwich, and Beaumont House, Walton-on-the-Naze, where occupancy has been lower than expected and a new RP partner has taken over.





Funding Affordable Homes (FAH) is a social impact investment company established in 2015 to invest in UK affordable housing, including specialist homes for people who need additional support.

FAH, together with its advisors, considers the Fund to fall within the scope of Article 9 of the Sustainable Finance Disclosure Regulation (a so-called 'dark green' product).

This is the seventh Annual Impact Report produced for FAH by The Good Economy [TGE], an independent social advisory firm specialising in impact measurement and management.

This report covers the period from July 2021 to June 2022. FAH invested in no new schemes during this period, but Colwell Road in Freshwater completed construction with the first residents arriving in September 2021. This means that all 10 of FAH's schemes are now operational.

Overall, FAH's portfolio contains 768 homes. These have the potential to provide homes for more than 1,300 people in need of affordable housing.

Colwell Road, Freshwater, Isle of Wight

Impact Objectives



Social Need

FAH's general needs schemes are in areas with sizable social housing waiting lists and a need for more affordable homes. Several of the Fund's specialist housing schemes also play key roles in responding to local needs. For example, Midland House helps meet the need for homelessness accommodation in Luton, an area with some of the highest rates of homelessness in the country. Meanwhile, the Extra Care schemes at Ryde and Freshwater expand independent living options for older people on the Isle of Wight.

Occupancy across the whole FAH portfolio is at 92%. This includes two schemes in Essex (Rosebank Park and Beaumont House) where, to date, occupancy has been lower than expected. However, rates are now increasing due to improved relationships with the local authorities following a change of Registered Provider (RP) partner. Excluding these two properties, occupancy across FAH's other eight schemes is at 97%. This demonstrates a high level of demand for the Fund's homes.



Affordability

Of FAH's general needs rented homes, the majority have been set at social rents. This means that these homes have rents set at approximately 50% of market rates. Also, the majority of FAH's shared ownership properties provide a route to home ownership for households who would otherwise be priced out of the majority of the property market in their borough.

Among FAH's specialist housing schemes, evidence suggests these are providing value for money for public budgets. This is likely to be occurring through reducing long-term dependence on homelessness support, and providing suitable long-term housing solutions for Extra Care and supported living residents.



Fund High Quality Sustainable Developments

95% of FAH's homes have EPC ratings of A or B, with 100% rated C or higher. This means that the portfolio significantly outperforms the national average (EPC D), though this is to be expected of a new-build fund. FAH has also implemented environmental efficiency and sustainability measures at several schemes. These include photovoltaic panels, which enable the production of on-site renewable energy, as well as green roofs and a district heating system.



Additionality

690 of 768 homes in FAH's portfolio are in new-build schemes, which were either forward-funded or forward-purchased.

Since the Fund's inception in 2015, it has made a best-in-class contribution to increasing the supply of affordable homes. This assessment has remained true throughout the Fund's life.



Quality of Management

FAH works with a network of six partner RPs that are responsible for managing properties. Generally, resident feedback and satisfaction surveys suggests the Fund's partners are providing a high standard of service. This year we conducted site visits to Beaumont House, Walton-on-the-Naze and Colwell Road, Freshwater and heard particularly positive feedback from residents on staff and service standards. Across the portfolio, we have seen evidence of FAH being reactive in supporting partners to respond to any issues.

Outcomes



Social Outcomes

Across FAH's portfolio of specialist housing, the Fund's homes continue to deliver a range of positive outcomes for residents. This includes positive move-ons and skills development for those in FAH's homeless project, as well as improved wellbeing, improved social interactions and feeling safer and more independent for those living in Extra Care or supported living accommodation.



Environmental Outcomes

FAH's contribution to environmental outcomes comes mostly from the energy efficiency of its homes. This year, the Fund has estimated the CO₂ emissions associated with each of its schemes based on their EPC ratings. This will enable the Fund to track its contribution to reducing emissions on an ongoing basis. Using this baseline data, Island Point stands out as having very low CO₂ emissions, substantially below the UK national average.



Strengths

- > Resident wellbeing during site visits and through conversations with residents, we heard repeated evidence of FAH's homes impacting resident wellbeing positively. This includes residents reporting feeling safer, more confident, more able to socialise and more settled in a long-term home that meets their needs appropriately. Both younger residents with disabilities (River Beal Court) and older residents at several schemes reported a sense of greater independence.
- Additionality FAHHA has played a significant role in enabling FAH to contribute substantial additionality to the sector. It has managed to leverage in grants from Homes England for schemes such as Freshwater and Birchett Road, Aldershot. This facilitated subsidised rents and increased the number of affordable homes delivered.
- Quality of partners feedback from residents suggests they receive a predominantly high quality of service from on-site staff. This was particularly true in relation to FAH's portfolio of specialist housing, where residents receive additional support in their daily lives.

Potential Risks and Areas for Improvement

- > FAH has added no new schemes to the portfolio in the last two years, though Freshwater completed construction in September 2021. This slowdown in investment has limited the Fund's contribution to increasing the supply of affordable housing in recent years¹. However, FAH does expect significant equity investment towards the end of 2022 and has re-established a pipeline with an investment potential of many tens of millions.
- We heard evidence of operational issues at some schemes affecting residents. This includes anti-social behaviour in the area surrounding Birchett Road and local youths on the Ryde site. While addressing these matters is the responsibility of the local partner RP, the Fund has engaged with them to provide support where appropriate.
- Residents across FAH's portfolio are likely to be facing challenges brought about by the cost of living crisis. At Board level, there have been initial discussions to consider how help can be provided to the residents of FAH's partner RPs.





Rents are referred to as social rent and Affordable rent but all are defined as affordable housing.



1. Introduction

About Funding Affordable Homes

Funding Affordable Homes (FAH) is a social impact investment company that invests in general needs and specialist housing in the UK. Launched in 2015, FAH aims to tackle the shortage of affordable housing by providing funding from the private sector. Its aim is to create measurable social benefit for people in need, while seeking to deliver a financial return to investors.

FAH is a specialist investment fund authorised and regulated by the European regulator (Commission de Surveillance du Secteur Financier). As of June 2022, FAH has invested £132.1m in a total of 10 schemes, including general needs affordable housing and specialist housing for individuals with additional support needs. FAH's portfolio contains 768 homes with the capacity to accommodate more than 1,300 people.

The Fund was the first of its type to register a subsidiary housing association – Funding Affordable Homes Housing Association (FAHHA). This allows FAH to: secure government grant; deliver Section 106 schemes (planning obligations); and receive subsidised or free land from local authorities. FAHHA plays a fundamentally important role for the Fund, and provides accountability for safeguarding public investment through the Regulator of Social Housing.

In 2019 FAH appointed Edmond de Rothschild Real Estate Investment Management (UK) Limited (EdR) as its property advisor. EdR provides all real estate and investment advisory services.



This Report

This report is the seventh Annual Impact Report prepared independently for FAH by The Good Economy (TGE). It covers the 12-month period to 30 June 2022.

TGE has been the social impact advisor to FAH since the Fund's launch in 2015. In this role, we designed an impact measurement and management system to enable the Fund to measure, manage and report on the impact of its investments. The process involves an initial internal screening checklist before we conduct pre-investment due diligence on all potential FAH projects. The findings from our social due diligence are presented to FAH's investment committee for consideration and, if appropriate, approval. At FAH's year end (30th June) we produce an annual impact report to independently assess FAH's performance against its impact objectives and target outcomes.

Methodology

A mix of quantitative and qualitative data informs our independent impact assessment. This includes analysis of FAH's key performance indicators [KPIs], resident surveys, performance data provided by partner organisations and semi-structured interviews with housing associations and residents across several schemes [see Appendix 1 for more details].

Overall, we take a stakeholder-driven and outcomes-focused approach to assessing the impact of FAH's investments. This incorporates a core focus on residents' lives and their wellbeing (who benefits and how), which aligns with the Impact Management Project [IMP]².

FAH AND FAHHA STATEMENT ON BOARD DIVERSITY

FAH's board has seven members. Six are male and one is female. They are aged between 41 and 69 years old. Six are White European and one is White South American.

FAHHA (also known as a Registered Provider or RP) is owned by FAH. It has five board members, of which three are male and two are female. They are aged between 62 and 72 years old. Four are White British and one is British Asian.



² The IMP is a forum for building global consensus on how to measure, manage and report on impact performance – see https://impactmanagementproject.com. FAH was one of the founder participants in this project.



2. Investment and Impact Thesis

FAH's overall impact goal is to increase the provision of high-quality affordable housing to improve the lives of people in social need.

Under this goal, FAH has worked with TGE to develop an Impact Measurement and Management (IMM) framework. This sets out FAH's impact objectives, identifying the activities and intended outcomes through which the Fund aims to contribute to positive impact creation.

FAH's IMM Framework

Impact Objectives

The areas under the direct control or influence of FAH



Contribute towards

The outcomes for people and planet: these are likely to be influenced by a range of factors, one of which is the homes delivered by FAH

Outcomes



Social Need

Provide housing to support those with a Social Need



Affordability

Maximise Affordability for residents



Additionality

Fund schemes that deliver additionality to the sector



Quality of Management

Work with partners to deliver a high Quality of Management



Social Outcomes

Improved resident wellbeing, education, employment, stability



Environmental Outcomes

Reduced energy usage, sustainable construction



Fund High Quality Sustainable Developments

Fund developments which are high quality, environmentally sustainable and socially fit-for-purpose





3. Portfolio Overview

Project	Location	Gross Asset Value [net of grant]3	Type of property	No. of homes	Potential no. of residents
Birchett Road	Aldershot, Hampshire	£10.5m	Social & Affordable rented and shared ownership homes	58 x 1- to 4-bed apartments and maisonettes	c.120
Island Point	Tower Hamlets, London	£37.7m	Social & Affordable rented and shared ownership homes	173 x 1- to 5-bed apartments and houses	c.450
Landmark Pinnacle	Tower Hamlets, London	£10.9m	Shared ownership homes	35 x 1- & 2-bed apartments	c.50
Midland House	Luton, Bedfordshire	£8.9m	Homeless project	78 x 1- & 2-bed apartments	78
Rosebank Park	Harwich, Essex	£10.4m	Extra Care for over 55s	70 x 1- & 2-bed apartments	c.105

Project	Location	Gross Asset Value [net of grant] ³	Type of property	No. of homes	Potential no. of residents
Beaumont House	Walton-on-the- Naze, Essex	£9.2m	Extra Care for over 55s	60 x 1- & 2-bed apartments	c.90
Balmoral Place	Northampton, Northamptonshire	£17.7m	Extra Care for over 55s	80 x 1-bed apartments	c.120
River Beal Court	Rochdale, Greater Manchester	£5.6m	Supported living for individuals with a care need	37 x 1-bed apartments	c.55
Ashey Road	Ryde, Isle of Wight	£10.9m	Extra Care and shared ownership for over 55s, or over 45s with a support need	27 x 2-bed bungalows, 75 x 1- & 2-bed apartments	c.150
Colwell Road	Freshwater, Isle of Wight	£10.3m	Extra Care and shared ownership for over 55s, or over 45s with a support need	75 x 1- & 2-bed apartments	c.110
Total		£132.1m ⁴		768	c.1,328

³ Gross Asset Value as of 30th June 2022.

⁴ Total excludes £2.5m from the temporarily remaining Independent Living properties, which are being held for sale.

4. Performance against Impact Objectives



Provide
housing
to support
those with a
Social Need

FAH's portfolio is meeting a range of important housing-related needs. The portfolio provides affordable general needs homes, as well as a range of specialist housing types including a homeless project, Extra Care for older persons and supported living for people with support needs. Across the portfolio, overall occupancy is at 92%. This shows a relatively high level of demand for the Fund's homes. Also, excluding two schemes, where there has been a change of RP partner, occupancy across FAH's other eight schemes is 97%.

Metric	June 2022
Total number of homes	768
Breakdown of homes by type	
> General needs - social rent	15% (115)
> General needs - Affordable rent	10% (77)
> General needs – shared ownership	10% (74)
> Homelessness	10% [78]
> Extra Care	50% (387)
> Supported living	5% (37)
Potential number of people housed	1,328
Occupancy rate	92%*
Percentage of homes in the 20% most deprived local authorities	49%
General needs – Percentage of rented homes in boroughs with greater than average social housing waiting lists	74%
General needs – Percentage of homes in areas of constrained affordability ⁵	100%

^{*97%} excluding Rosebank Park and Beaumont House.



General Needs

FAH's general needs schemes provide housing in areas with high levels of need for affordable homes. In particular, Island Point is a 173-home affordable housing development in Tower Hamlets, a borough in which the proportion of people on the social housing waiting list is more than three times the national average. As of June 2022, the scheme is 99% occupied. This reflects strong demand for the homes at Island Point. Also, 64% of the scheme provides three-, four- and five-bedroom properties at social rent levels. The provision of social rented family homes is a priority for the borough and so these homes help to address a pressing need.

Within FAH's general needs portfolio, there are a total of 74 shared ownership homes across three schemes – Aldershot, Island Point and Landmark Pinnacle. These homes provide a route to home ownership for households who would otherwise struggle to own outright in the area. All three schemes are also located in boroughs which we define as 'areas of constrained affordability', where the median house price to earnings ratio is greater than the national average.

35 of FAH's shared ownership homes are apartments at Landmark Pinnacle in Canary Wharf, London Borough of Tower Hamlets. This is an area where residential property prices are beyond the reach of lower paid individuals or families, who aspire to home ownership. As of June 2022, 31 of the 35 homes have completed or are going through the sales process, indicating high demand. These properties serve to increase the accessibility of home ownership in the area. This serves an important housing-related need, though they do not cater for typical lower earners elsewhere in the borough.

Homelessness

Midland House is FAH's homelessness scheme. It is a 78-bed project in Luton, an area with an acute homelessness issue, with one in 66 people in the borough classed as homeless⁶. This places Luton as the local authority with the highest rate of homelessness in the UK outside of London.

Accordingly, Midland House plays a key role in addressing the issue of homelessness within an area of high social need. In the year to March 2022, Midland House received 390 referrals, which considerably exceeded the spaces becoming available during the year. This demonstrates a high and increasing level of demand for places. There have been more than 300 referrals received in each of the past three years. The proactive management of the building has helped to retain its physical qualities and the services being delivered.



Midland House, Luton

^{5 &#}x27;Area of constrained affordability' defined as a borough in which the median house price to earnings ratio is greater than the national average [9.05]

⁶ Shelter, Homelessness in England 2021, December 2021.

CASE STUDY

David

Homelessness - Midland House

David moved into Midland House in January 2021. He had been made homeless when his relationship ended and had spent some time moving between friends' houses before moving into emergency accommodation. However, this was not working for him. At this point, he found out about Midland House and was accepted for a place.

Overall, David stated that his experience at Midland House was very positive. He lived at the project for 18 months, including throughout much of the Covid-19 pandemic. This presented obvious difficulties, but staff were supportive throughout in helping people to carry on as much as possible.

David stayed in one of the 2-bed apartments during his time at Midland House. By chance, he was placed in an apartment with a friend from school whom he had lost touch with. This helped to make David feel comfortable and he affirmed that Midland House "really felt like home". David has stayed in a few hostels during his life, and he remarked that Midland House is definitely the best he has experienced.

"It's a tight-knit family group, and the staff really care about you at Midland House. That makes a huge difference."

After around nine months at Midland House, David was supported by staff to begin the process of looking for his own apartment. And by June 2022, David had managed to secure his own social rented tenancy. He moved out of Midland House and into his own 1-bedroom apartment in Luton. David described how it felt odd being on his own for the first week, but he is enjoying having his own place and is optimistic about the future. Since moving out, he has secured a job working in car valeting. He is currently in a probationary period and is waiting to hear if he will be offered the job on a permanent basis.

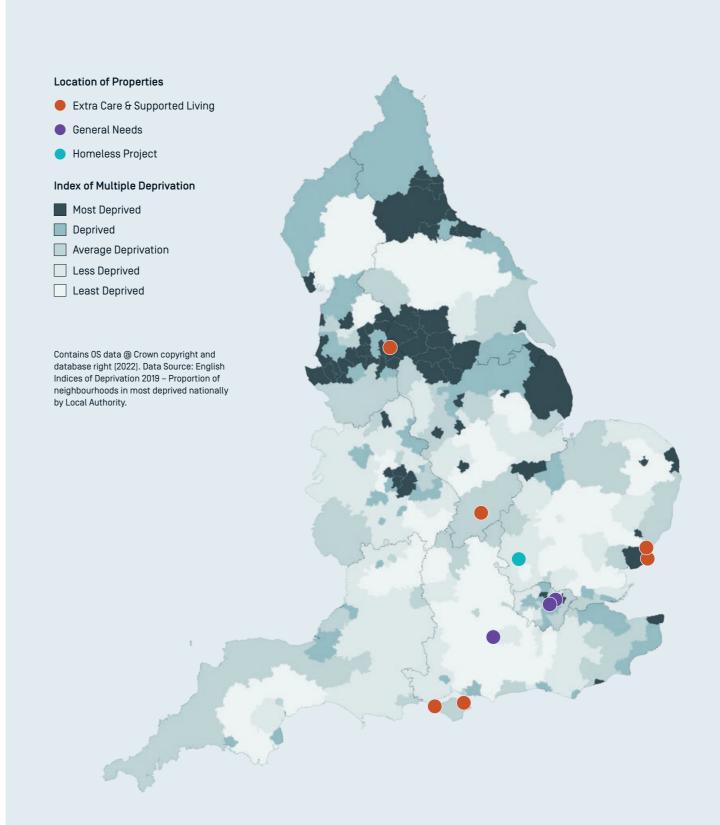
Extra Care & supported living

FAH has seen strong demand for places at its Extra Care and supported living schemes:

- On the Isle of Wight, all 102 homes are occupied at the Ryde Extra Care scheme. At Freshwater, the scheme opened in September 2021 and by March 2022 all 60 rented apartments were occupied. Only four out of 15 shared ownership apartments are occupied though several sales are currently in progress. These schemes expand options for older people to be able to live independently. We understand there are no similar alternatives on the island and both schemes have sizable waiting lists for the rented apartments.
- River Beal Court, Rochdale, provides high-quality supported living, mostly for working-age adults with a care need. Since opening in September 2020, there have been vacancies caused by Covid-19, as a result of difficulties conducting eligibility assessments. However, as of June 2022, 33 out of 37 apartments are occupied and two more are due to be filled in the coming weeks.
- > Balmoral Place, Northampton, provides Extra Care for over 55s with low to medium-level care needs.

 During the pandemic there was a slowdown in the referrals process, which led to the property having around 25 voids as of September 2021. However, these have all been filled now as of June 2022 the property is fully occupied with a waiting list of at least 16.
- To date, Rosebank Park, Harwich, and Beaumont House, Walton-on-the-Naze, have had lower than expected levels of occupancy. This has largely been the result of a lack of referrals through the adult social care system for the unoccupied apartments. However, following a change of RP partner, occupancy rates are now increasing. Excluding these two properties, the occupancy rate across FAH's other eight properties is 97%.

Overall, 49% of FAH/FAHHA properties are in the 20% most deprived local authorities.







for residents

FAH aims to maximise the affordability of its homes to provide for underserved groups.

A substantial proportion of the Fund's general needs homes are at the most affordable social rent level. In addition, the majority of its shared ownership properties provide a route to home ownership for households who would otherwise be priced out of the majority of the property market in their borough. Also, there is good evidence that FAH's specialist housing schemes provide a more cost-effective solution than potential alternatives.

Metric	June 2022
General needs – Breakdown of homes by tenure type	
Social rentAffordable rentShared ownership	43% [115] 29% [77] 28% [74]
General needs (shared ownership) – Percentage of homes meeting a person-centred affordability test	49% rated high affordability 79% rated high or medium affordability
General needs (rented) – Percentage of homes with rent at or below Local Housing Allowance (LHA)	99%
Rental increase information	4.1%
General needs (rented) – Average rental discount to market rent	35%

General Needs

A high proportion [43%] of FAH's general needs homes are social rent. These rents are typically set at around 50% of market rent and are at or below LHA.

In addition, virtually all of FAH's rented homes (99%) have rents set at or below the LHA. This includes both social rent and Affordable rent properties. Mostly, we consider these homes to be affordable to those on the lowest incomes, either because their income is sufficient to afford the rental costs without becoming overburdened, or because the rent can be entirely covered by LHA [assuming households are of an appropriate size].

Of FAH's shared ownership properties within its general needs portfolio, TGE's affordability calculations reveal that:⁷

- > 49% of homes are rated as high affordability. This means that the homes are affordable to households who, without shared ownership, would be priced out of the majority of the property market in their borough.
- > 30% of homes are rated as affordable. These are homes that are affordable to those same households, but only if they spend 40% of their income on their housing costs [this is above the recommended maximum level of 33%, but many households spend this amount].

^{21%} of homes are rated as low affordability. These are homes that are unaffordable to those same households. All of these properties are located at Landmark Pinnacle in Canary Wharf, which is a high-earning and high-priced area. It should be noted that FAH has subsided the rental element of these homes to increase affordability. To do so, FAH has applied a reduced percentage of 1.75% of the unsold equity, rather than the standard 2.75%.



Landmark Pinnacle Tower Hamlets Midland House is classed as exempt accommodation and so rents are above LHA. This means rents are exempt from the usual benefit cap due to the additional support needs of residents. Generally, all housing costs are incurred by the council through Housing Benefit, with no cost to residents. We understand that the project serves as a strategic site for Luton Borough Council. It offers a cost-effective alternative for the Borough when compared to expensive temporary accommodation and should lead to cost savings by providing residents with a pathway to secure long-term tenancies. This should help to reduce dependence on long-term government support.

Extra Care & supported living

Housing costs for most residents across FAH's portfolio of Extra Care and supported living properties are paid through Housing Benefit. Scheme managers informed us that only a handful of residents are self-funders – most are either wholly or partly funded by local authorities and ultimately central government. These schemes should therefore be assessed on the value for money they represent to local authorities, rather than affordability to residents themselves.

Independent evidence suggests both Extra Care and supported living can be cost-effective solutions for local authorities, particularly in comparison to residential care, or for health services wanting to free-up hospital beds to reduce waiting lists. For example:

"Better outcomes and similar or lower costs indicate that Extra Care housing appears to be a cost-effective alternative for people with the same characteristics who currently move into residential care"

HB Villages, A Briefing Paper, 2017

Homelessness

⁷ This affordability calculation is based on the income level and saving rate required to afford a lower-quartile house price in the relevant local authority. If a shared ownership property is only affordable to households earning above this threshold, it is deemed unaffordable.



Fund
High Quality,
Sustainable
Developments

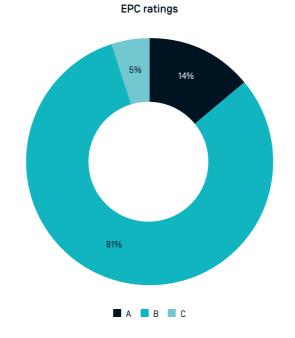
We have seen and heard repeated evidence from FAH's residents and staff that homes have been built to a high standard. The majority of the Fund's homes meet the National Space Standards [NSS] and site visits have confirmed the quality of the properties in terms of build and finish. Moreover, the properties perform positively in terms of energy efficiency, and FAH is starting to explore options to improve the environmental performance of the portfolio in the future.

Metric	June 2022
Breakdown of EPC ratings	
> A > B > C	14% 81% 5%
Percentage of homes meeting National Space Standards (NSS)	90%
Total capacity of renewable energy production	Freshwater – 11.97kW Ryde – 11.76kW Island Point – 15.00kW
Average walking or public transport travel time to nearest train station	16 minutes

Portfolio data shows that 95% of FAH's completed homes have EPC ratings of B or above, none are below C.

The average residential property in England and Wales has an EPC rating of D. This shows that FAH's portfolio sustainability outperforms the national average in terms of energy efficiency. This is to be expected of a new-build fund, since new homes are generally more energy-efficient than older ones. In the coming years, FAH expects to implement measures to improve the 5% of homes currently rated C to at least B.

Several schemes also include solar panels, which provide on-site renewable energy. Solar panels are present at Ryde, Freshwater and Island Point. Freshwater also contains an attenuation pond for storm water and surface water management. In addition, Island Point contains a district heating system with a Heat Interface Unit in each of the 173 homes. This should increase efficiencies and reduce fuel consumption across the site.



FAH has recently completed compiling all the base information necessary to be able to report against GRESB in the future.
The Fund is currently undertaking a pilot project to collect energy information and is aiming to have data across its portfolio by the end of 2023. This will provide greater insight into the sustainability performance of FAH's properties.

Over the life of the Fund, we have visited most of FAH's schemes. We can confirm that the schemes have been built to a high quality, and they are fit-for-purpose to serve the needs of residents. In addition, the schemes are well-located, mostly near to social infrastructure such as shops

and transport. The Freshwater scheme is a relative outlier here, with the scheme located 45 minutes from the nearest train station. However, on a site visit to the scheme this year, we heard this was not a major issue. Most residents have cars and/or mobility scooters and a minibus is available to take residents into town twice a week.

CASE STUDY

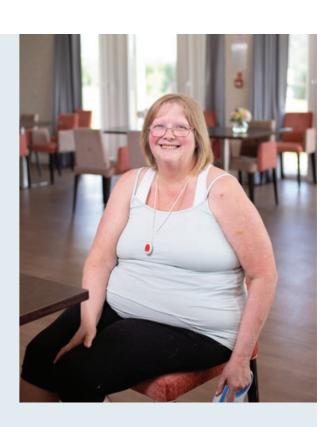
Cheryl and John

Extra Care – Beaumont House, Walton-on-the-Naze

Cheryl and her husband John moved into Beaumont House in April 2022. Previously they lived in a retirement village after 10 years in Wales. However, at both these previous addresses, Cheryl and John had encountered issues that impacted their lives negatively.

Since moving into Beaumont House, Cheryl affirmed "I feel much happier here". She has mobility issues and thinks the scheme has been well thought-out to cater for her needs. They have a 2-bedroom apartment which is high-quality and spacious, with a balcony which they love. Cheryl describes the scheme as being "very friendly" and says they get on well with other residents. She is hoping to start a Women's Social Club in the coming months. Both Cheryl and John also volunteer at the bar in one of the scheme's communal lounges.

Cheryl receives only six hours of care per week (the minimum for the scheme) but describes the on-site support staff as "brilliant". As a couple, Cheryl and John feel more independent than they have done in previous homes, while they also enjoy the security of having support staff on-site. In addition, it provides a sense of stability and security to know that their increasing need for support in the future can be catered for.



"I really like it here. We no longer have the stress we had before, as it's a great atmosphere which makes you want to get involved."

⁸ GRESB is a globally-recognised standard for portfolio-level ESG reporting in the real estate sector.



Fund homes that demonstrate **Additionality** Since the Fund's launch in 2015, FAH has invested £132.1m. This has resulted in the delivery of 768 homes of new social and affordable housing across 10 schemes. This includes schemes where FAH has partnered with local authorities, developers and Registered Providers [RPs] to unlock sites and drive forward delivery which may not have occurred otherwise. Through these 10 schemes, we assess FAH to have contributed best-in-class additionality to the sector.

Over the life of the Fund, FAH has generated a high level of additionality through its deployment of capital. However, no additional investments have been made over the last 12 months.

Metric	June 2022
Total amount invested	£132.1m
Breakdown of homes by build type	
> New-build	90%
> Conversion to social or affordable housing	10%
> Acquired existing stock	0%
Breakdown of homes by transaction type	
> Forward-funded	65%
> Forward-purchased	35%
General needs – Breakdown of homes by financing route	
> Section 106	78%
> Grant-funded	22%
Breakdown of scheme-level TGE Additionality ratings	
> High	8
> Medium	2
> Low	0



FUNDING AFFORDABLE HOMES HOUSING ASSOCIATION

Funding Affordable Homes Housing Association (FAHHA) is FAH's subsidiary RP. It was established when the Fund was incorporated in 2015. As an RP, FAHHA is overseen by the Regulator of Social Housing (RSH). Though FAHHA is an RP, it does not currently manage any properties (nor are there plans for it to manage any in the future). Rather, management services are outsourced to other RPs.

Establishing an RP as a wholly-owned subsidiary does confer several important advantages on FAH. Owning an RP allows FAH to:

- > Access grant funding
- Deliver Section 106 housing (affordable homes planning obligations)
- Access discounted land from local authorities (this is not something which has been secured to date, though the Fund has ambitions to do so in the future)
- > FAHHA owns 5 of the 10 Fund investments, as a result of public sector support for these projects.

We see evidence that FAHHA has allowed FAH to increase the additionality it brings to the sector. For example:

- At Island Point and Landmark Pinnacle, FAHHA allowed the Fund to secure the homes as a Section 106 allocation to be delivered alongside a wider development.
- At Ryde, Freshwater and Aldershot, FAHHA was able to attract substantial grants from Homes England. This enabled rent subsidies to be agreed with the local authorities. At all three developments, the grant increased the number of affordable homes above the planning agreements' stipulation.

These examples demonstrate the fundamental role that FAHHA plays within the group structure in facilitating impact.

FAH was the first investment fund of this type to set up its own for-profit RP. This model has now been replicated by several other investors in the sector. This demonstrates FAH's significant role as a first-mover.





Work with partners to provide
High Quality of Management

As the property owner, FAH has entered into management leases with partner RPs and so is not directly involved in the day-to-day management of residents living in the homes it owns. The Fund must select high-quality partners to work with and regularly monitor the standard of service being delivered.

We have seen evidence that FAH selects high-quality partners to deliver services to residents living in its homes. In terms of gathering feedback, FAH receives quarterly monitoring reports from each of its six partner RPs, including information on rent collection, voids, repairs, health and safety and, where available, resident satisfaction levels. Mostly, we have heard and seen evidence that FAH's partners deliver a high standard of service at its schemes.

Metric	June 2022
General needs (rented) – Percentage of renting residents with a 3-year assured tenancy agreement (AST) or longer	100%
Homeless project – Percentage of residents in receipt of support alongside their accommodation	100%
Extra Care & supported living – Percentage of schemes with CQC rating 'Good' or 'Outstanding'	100% ⁹
Percentage of RPs compliant with Regulator of Social Housing's [RSH] Governance and Viability standards	100%10

General Needs

Across its general needs portfolio, FAH currently works with two RPs – Poplar HARCA, which manages the Island Point and Landmark Pinnacle homes, and Plexus, which manages Birchett Road, in Aldershot¹¹.

Poplar HARCA ran an Island Point resident satisfaction survey this year. The survey collected responses from a relatively small sample of residents, though the results were positive, with 27 submissions revealing that:

- > 85% are satisfied overall with Poplar HARCA as a landlord
- > 89% are satisfied overall with Poplar HARCA services
- > 89% feel Poplar HARCA has made a positive difference to the local area

Homelessness

IMPAKT Housing & Support provide management and support services at Midland House. We have heard very positive feedback from residents on the quality of service delivered [see Gertrude's case study below].

The project has a high rate of positive 'planned' moves when residents leave the service [see 'Contribution to Outcomes' section for more details]. In addition, while at Midland House residents receive additional support across multiple areas including cooking, budgeting, employability and health.

Throughout Covid-19, we have heard evidence of IMPAKT adapting and continuing to deliver a high-quality service. This includes adapting to deliver educational courses to individuals rather than groups during lockdowns. It also includes IMPAKT achieving a high rate of vaccination for residents, with 63% fully vaccinated. Within the Luton Homeless Partnership, we were informed that no other provider achieved higher than 15%. This high rate was driven by IMPAKT using working links with local GPs and running educational sessions to encourage uptake.

CASE STUDY

Gertrude

Homelessness - Midland House

Prior to coming to Midland House, Gertrude had been living in a hostel in Hayes. However, the system had been difficult and she did not feel there was an obvious route to securing her own tenancy. Gertrude called IMPAKT Housing & Support and enquired about a place at Midland House. She was accepted and took up her place in January 2022.

Gertrude described how her overall experience at Midland House has been extremely positive. She feels the staff are very accessible and they make real effort to support her wellbeing. This includes staff running regular classes on-site as well as signposting to other relevant services. In addition, Gertrude remarked that the maintenance team are always quick to sort out any issues or repairs.

While living in Hayes, Gertrude had been working as a care assistant. Now in Luton, she has secured employment as a full-time support worker. She has also been supported by staff at Midland House to enrol for online education courses, which she studies for in the evenings. Gertrude recently sat her Level 2 English exam, and she is now studying towards an upcoming Maths exam. She emphasised at the hostel in Hayes it had been noisy at night, and so studying would have been very difficult there. However, at Midland House, she has her own space, and it is quiet which allows her to study towards her qualifications.

Gertrude stated that she "feels very comfortable" at Midland House for the time being. In the coming months, she is looking forward to securing her own tenancy, and she feels that the accommodation and the staff at Midland House have empowered her to work towards this goal.

"I feel lucky to be a resident here. The staff are helpful and approachable, and there is a timescale for working towards securing your own home."

⁹ CQC rating available for four out of FAH's six Extra Care and supported living schemes. Rosebank Park, Beaumont House, Balmoral Place and Ryde Village all received a rating of 'Good' from the CQC in their last inspection. Both Freshwater and River Beal Court are yet to be inspected.

¹⁰ Three out FAH's six partner RPs have a Governance and Viability [G/V] grading from the RSH. One at G1/V1, one at G1/V2 and one at G2/V2. The other three RPs have not been assessed, this is because they are under the 1,000-home threshold to receive a formal G/V grading from the RSH.

¹¹ Note that for this Impact Report, we have not spoken directly to residents across these schemes.

Extra Care & supported living

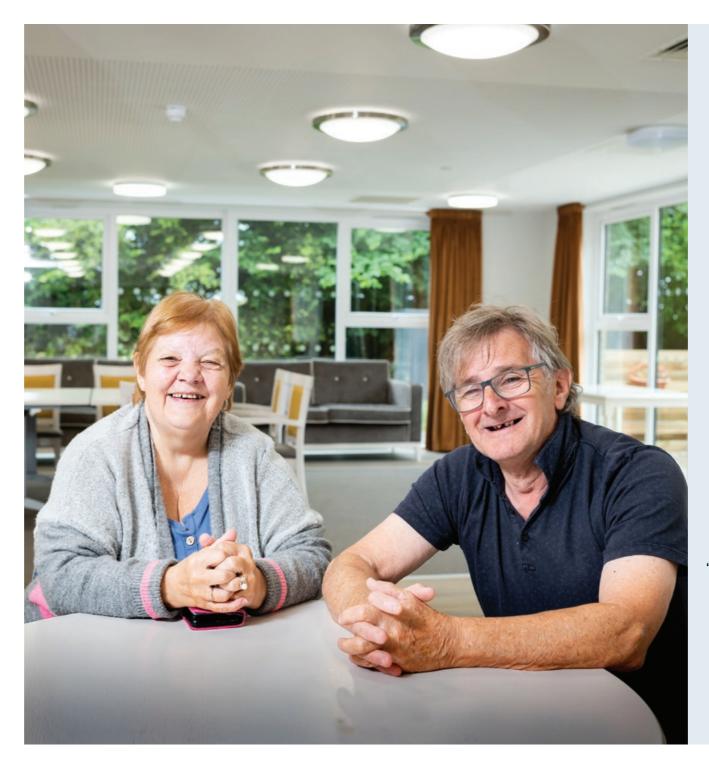
In the last two years, we have undertaken site visits to four of FAH's six Extra Care and supported living schemes. On all those visits, feedback from residents on service quality was overwhelmingly positive.

This includes FAH's two Extra Care schemes on the Isle of Wight – Ryde and Freshwater. At both schemes, Southern Housing Group (SHG) deliver housing and care services. Evidence of the positive feedback gathered on our site visits can be seen in Rob and Linda's case study on page 33. The results of resident surveys run by SHG also reinforce this feedback. 80% and 78% of Ryde and Freshwater respondents, respectively, agreed that "The way I'm helped and treated makes me think and feel better about myself".

At River Beal Court in Rochdale, Partners Foundation delivers property management services while Future Directions delivers the on-site care. We have heard that their working relationship is good and residents reported having positive relationships with staff. In recent months, Partners Foundation has also taken steps to open the scheme up to the wider community through an on-site café. This café is available to residents, families and the public and is helping to embed the scheme in the community.

At Beaumont House and Rosebank Park in Essex, this year saw a change in RP partner from One Housing Group to Orwell Housing. One Housing Group is a London-based organisation, while Orwell Housing is local to the area.

With the change of RP, effort has been made to ensure continuity for residents. Some staff, including the scheme manager at Beaumont House, remained in post following the change. Also, on a site visit to Beaumont House, residents identified various improvements to the standard of service. We heard that residents have more choice over their budgeting and allowances, and repairs are conducted more quickly.



CASE STUDY

Rob and Linda

Extra Care - Colwell Road, Freshwater

A married couple, Rob and Linda were some of the first residents to move into Colwell Road in September 2021. They lived in a nearby bungalow previously, but the property was small and got cold and damp in winter.

Although Linda requires support sometimes, they are still relatively independent as a couple. Colwell Road therefore provides a great balance with the independence of their own 2-bed apartment, but with the added benefit of having support staff onsite 24/7. Both Rob and Linda have suffered health issues since moving in, and they affirmed that the quality of support they received was excellent.

Rob and Linda are both involved in the communal activities at Colwell Road. Linda runs a weekly bingo game, while Rob plays the guitar and puts on karaoke one Friday night a month. Both have made good friends since moving in and said they enjoy having more opportunities to socialise.

Overall, Rob and Linda stated that they feel very happy and settled at Colwell Road and would like to stay living there for the long-term.

"Moving here has definitely made a positive difference to our lives. The property is a much higher quality compared to our previous home and the staff are excellent – nothing is too much for them."

5. Contribution to Outcomes

This section aims to assess the change in outcomes experienced by FAH's key stakeholders because of the Fund's investments.

As these outcomes are likely to be influenced by many factors, FAH's activities only contribute to them partially. Nonetheless, assessing outcomes is a key part of an impact assessment since it provides insight into the ultimate impact achieved.

We have grouped the Fund's target outcomes into two broad areas: Social Outcomes and Environmental Outcomes.

These are sufficiently broad to accommodate the diverse types of schemes that FAH funds and, by extension, the variation in type of outcomes experienced.

IMPACT MANAGEMENT PROJECT

We assess these outcomes in relation to the five core dimensions of impact, as identified by the Impact Management Project (IMP): What, Who, How Much, Contribution and Risk.



FAH's homes deliver a range of positive social outcomes for residents. These vary according to type of housing and individual circumstances.

For this Impact Report, we carried out site visits to two of FAH's Extra Care schemes. This year, we were unable to speak to any residents living in FAH's general needs homes. However, in the past two years, we have visited schemes and undertaken interviews at all of FAH's general needs schemes. We will aim to do so again next year and the results will be stated in FAH's next Annual Impact Report.

General Needs Housing Outcomes

For previous Impact Reports, we have collected feedback from general needs' residents and heard evidence of FAH housing leading to a range of positive outcomes for residents. These include improved wellbeing, better education and employment outcomes, greater stability, and improved relationships and sense of community.

Homelessness Outcomes

Positive move-ons

85 clients left Midland House in the past 12 months. Of these, 85% were 'planned' move-ons. This covers residents moving to a private or social rented tenancy, living with family or friends or to another housing provider. This is a slight decrease from 2020–21, when 90% of move-ons were 'planned' (this was a smaller sample size, however, with only 49 clients leaving the project).

Improved mental wellbeing

We spoke to two residents from Midland House – one current resident, and one ex-resident who has recently moved on to their own social rented tenancy. See case studies on pages 22 and 31. Both stated that the quality of accommodation and standard of support they received was excellent and that this had a positive impact on their mental wellbeing.

Development of new skills

At Midland House IMPAKT runs regular skills programmes with residents. Over the course of the year the following sessions were run:

- > Cookery support 17 sessions, 220 participants
- > Budgeting programmes 4 sessions, 11 participants
- > Employability programmes 8 sessions, 38 participants
- > Health programmes 14 sessions, 84 participants

Education and employment outcomes

The two residents we spoke to achieved positive education and employment outcomes while living at Midland House. One resident had secured employment as a support worker and was also studying in the evenings through an online course. Meanwhile, the other resident had secured employment in car valeting.

Extra Care & supported living Outcomes

Improved physical and mental wellbeing

During site visits to Beaumont House and Freshwater, we heard repeated positive feedback from residents about the projects' impact on their mental wellbeing. This is captured in the resident case studies on pages 27, 33 and 36.

Also, in a resident survey conducted at the Ryde Extra Care scheme, 92% of respondents expressed satisfaction in their capacity to sustain good health [up from 78% from the last survey].

Improved confidence and independence

A commonly cited benefit of Extra Care and supported living is the additional independence and freedom it affords residents. This results from them having their own self-contained apartment, as well as more choice and ownership over daily routines.

The results of resident surveys conducted at Freshwater and Ryde reflect this. 95% [Freshwater] and 91% [Ryde] of respondents expressed satisfaction at their level of confidence and independence in their own home.

At River Beal Court, approximately half of residents are aged 18–29. For many, this represents their first move away from home or other support services. During a site visit, we heard from several residents that moving to River Beal Court had impacted their feelings of independence positively.

Improved social interactions

FAH's Extra Care and supported living schemes range from 37 up to 102 homes, each on a single site. The schemes contain communal facilities, including lounges, gardens, and restaurant/ bar areas. We have seen and heard repeated evidence of residents making friends with other residents and improving their social interactions after moving in.

Communal activities are run on a regular basis across all the schemes, including karaoke, bingo, movie and sport screenings, and craft workshops. In addition, Freshwater has an onsite shop which is run by residents, while River Beal Court has an on-site café where several volunteer regularly.

Feeling safer at home

As purpose-built facilities with support staff on-site, FAH's Extra Care and supported living facilities also enable residents to feel safer at home. Schemes often include specialist features such as pull cords and intercom systems, which help residents feel at ease since they are easily able to call for support when required [see Linda's case study below].

There have been operational issues at Ryde with local youths hanging around on the site and even trying to get into the building. These attempts have been unsuccessful. The presence of anti-social behaviour in the vicinity of the homes has led to some residents reporting that at times they have not felt as safe as they should in the area around the building. To address these concerns SHG have engaged with the local police and together are aiming to resolve the issues.

CASE STUDY Linda

Extra Care - Colwell Road, Freshwater

Linda and her mother moved to Colwell Road in September 2021, soon after the property opened. Linda has mobility issues owing to arthritis and has a mental health diagnosis, while her mother has several underlying health conditions.

Previously they lived in another Southern Housing Group (SHG) bungalow in a nearby village. However, as Linda's mother's health was deteriorating, they wanted to move somewhere with 24/7 support. Linda described the accommodation as "brilliant" and said that she "loves living here". Their apartment has a beautiful view of the sea and Linda feels that the intercom system, as well as the availability of support on-site, has made her feel far more at ease. In addition, Linda stated that she has become more social since moving to Colwell Road. She helps to run an arts and crafts class and enjoys taking part in lots of the communal activities on-site.



"I feel much happier since moving here, and my friends say they have seen a difference in me. The availability of 24-hour support is great since it allows both me and my Mum to be more independent."



River Beal Court

Midland House

Environmental Outcomes

FAH's contribution to environmental outcomes comes primarily from the energy efficiency of its homes. Portfolio data shows that 95% of FAH's homes have an EPC rating of at least B, with all homes rated C or above.

This year, for the first time FAH has used EPC ratings to estimate the greenhouse gas emissions associated with each of its schemes. In future years, this will allow FAH to track its contribution to improving environmental outcomes by reducing emissions against this baseline:

Island Point 1kg Rosebank Park 10kg Landmark Pinnacle 10kg Freshwater 13kg Aldershot 13kg Balmoral Place 14kg Beaumont House 14kg Ryde 15kg

CO₂ per m²

24kg

39kg

It is worth noting that the Island Point scheme has very low emissions, with a significant number of the apartments producing 0.3 tonnes of ${\rm CO_2}$ per year. This is far below the UK average, which is around 2.7 tonnes per year [Committee on Climate Change].



FAH's ESG Approach

FAH's Internal ESG Policies

The table below provides an overview of FAH's internal ESG policies. It draws on the themes outlined through the Sustainability Reporting Standard for Social Housing [SRS]. This is because these are the areas that are considered material to organisations operating in the affordable housing sector.

Area	Theme	Comment
Social	Affordability and Security	TGE conducts due diligence on all proposed investments, which includes assessment of affordability of homes
	Building Safety and Quality	 Meets all Building Control compliance requirements The FAH quarterly monitoring covers all key H&S performance issues
	Resident Voice	> TGE produces an Impact Report annually, which includes site visits, resident interviews and case studies
	Resident Support	As regulated housing bodies the RSH expects the local RPs to have their own vulnerable residents Policies and provide support where needed
	Placemaking	Local RPs generally have placemaking policies as part of their new development and regeneration projects
Environmental	Climate Change	> EPC data shows 95% of FAH's homes are A or B rated. The remainder are C.
	Ecology	Not specific, although there were a number of ecology requirements in the planning permission at Ryde
	Resource Management	Not specific, but Freshwater was used as a trial project for a Circular Economy PhD report
Governance	Structure and Governance	 Oversight by EdR as the Real Estate and Investment Advisor to the Fund Oversight by the RSH Oversight by the Fund's European Regulator, the CSSF The Group Board and FAHHA Board has vast experience in the affordable housing sector FAH has an Equality, Diversity and Inclusion Policy
	Board and Trustees	Declarations as an initial agenda item at all FAH and FAHHA Board meetings
	Staff Wellbeing	> Included as part of Vitality medical insurance
	Supply Chain Management	> No specific processes

The evidence presented in this table is based on information provided by FAH.

FAH's External ESG Reporting Practices

FAH has been involved in a sector-wide project that aims to improve impact reporting standards in the social housing sector:

> The Equity Impact Project (EIP) – a project to develop sector-wide impact metrics for equity investors in the affordable housing sector. FAH has been involved throughout the consultation phase for this project and is now involved as a group member. This Impact Report includes FAH's first disclosure against the EIP [see Appendix 2].

In addition, FAH is currently in the process of working towards two other external reporting frameworks:

Sustainable Finance Disclosure Regulation
[SFDR] Article 9 – SFDR was introduced to improve transparency in the market for sustainable investment products. SFDR sustainability disclosures were introduced from March 2021, with full disclosures related to the SFDR's technical standards applying from 2023. This year FAH has worked with a specialist consultant to ensure the Fund self-categorises appropriately under SFDR. Following this work, FAH, together with its advisors, considers the Fund to fall within the scope of Article 9 of SFDR [a so-called 'dark green' product]. This is because FAH has sustainable investment as its objective and uses a bespoke IMM framework developed in partnership with TGE to measure and assess the overall sustainability-related impact of the Fund.

> Global Real Estate Sustainability Benchmark (GRESB) – a global ESG benchmark for real estate assets. FAH has commenced the process of applying GRESB to measure the performance of its portfolio compared to its peers. GRESB was originally developed for commercial and retail application and is currently being adapted with the aim of delivering effective benchmarking for residential real estate as well.



Impact Risk

Impact risk is the likelihood that impact will be different than expected, and that the difference will be material from the perspective of those being impacted. We have analysed the potential impact risks relating to FAH using the IMP's impact risk assessment framework.

The IMP identifies nine types of impact risk that investors may face. We have classified four categories of risk as potentially material for FAH. In the table below, we describe the risk faced, the level of risk for FAH and the Fund's mitigating actions.

stores and mobility scooter

for toilet flushes, bathroom lights and door handles.

rooms, and mechanisms

Impact Risk Category	Risk Level & Description	FAH Risk Mitigation Strategies			Once a scheme is operational, FAH receives quarterly updates from all partner RPs. This includes information on operations and build quality such as repairs and health and safety.
External risk The probability that	Medium There is a risk of negative	FAH conducts thorough due diligence when selecting partner RP tenants to manager their schemes. This aims to ensure partners have a track record of delivering high quality resident services.			Overall, our view is that FAH has systems in place to identify any building-related issues.
external factors disrupt ability to deliver impact	external influences affecting residents' wellbeing while living at FAH schemes. For example, we have been informed of some operational challenges at Ryde and Birchett Road. In addition, the cost of living crisis and rising inflation are likely to increase residents' vulnerability to rent increases. This may lead to residents struggling to afford their rent. It may also lead to shared ownership residents struggling with their housing costs and being priced out of staircasing to higher ownership.	FAH undertakes quarterly monitoring at all its schemes. In addition, TGE aims to collect yearly feedback from all scheme managers when preparing the Fund's Annual Impact Report. This provides an opportunity to pass on information from scheme managers which may not be captured by RPs' usual engagement with FAH. Where relevant, FAH will seek to address concerns or issues raised resulting from this scheme-level feedback. As the building owner, and through its management leases, FAH also has a right to step in and provide direct, or consultancy-based, support/advice where operational thresholds are breached. This year, FAH increased rents by 4.1%, in line with the affordable housing sector as a whole. The Fund also offered one of its partner RPs relief from a higher increase level arising from particular lease terms. At Board level, there have been initial discussions to consider how help can be provided to the residents of FAH's partner RPs, as costs of living concerns escalate.	Drop-off risk The probability that positive impact does not endure and/or that negative impact is no longer mitigated	FAH is committed to delivering long-term positive impact by providing affordable housing for those in need. But if FAH chooses to sell portions of its portfolio, the homes may no longer be used to provide housing as was intended under FAH's ownership. This risk was brought into focus during 2021 when FAH decided to sell its Independent Living portfolio. In such situations, it is essential that FAH conducts a responsible exit to	FAH has now exited from most of its Independent Living portfolio. Of the 32 properties: Four long-term vacant properties were sold on the open market 20 properties were sold to Single Homeless Project [SHP], with the leases transferred to Windrush Alliance UK Eight properties are still owned by FAH and managed by FAHHA. The process is under way for these properties to be sold, with leases then being assigned. In the process of exiting from this portfolio, FAH conducted a detailed review of Windrush as the new lessee. This was presented to the FAHHA Board and approved. All residents of the 20 properties already sold remained at the same address with the same care provider when the leases were assigned to Windrush. For the eight properties still in the process of being transferred, negotiations are ongoing to put new service-level agreements in place. Once this has been agreed, the intention will again be for no resident to move.
Execution risk The probability that	Low There is a risk of building-	The feedback we have heard in terms of design quality of FAH schemes has generally been good. There are specific and mostly relatively minor issues that residents and staff have reported.		a responsible exit to mitigate risks to the assets' continuing impact.	Where FAH sold properties on the open market, this would have represented a potential loss of impact. However, as they were long-term vacant prior to the sale, the loss was mitigated.
activities are not delivered as planned and do not result in the desired outcomes	related issues affecting residents' wellbeing. For example, we were informed of design features at schemes including Ryde, Freshwater and Beaumont House which have caused some issues for residents. These include things such as size and placement of bin	FAH has a well-defined process which aims to ensure the build quality of its schemes. This begins with selecting high-quality developers to work with. FAH then employs JLL to act as monitoring surveyor on each of its schemes during the construction and defects period. FAH is proactive in dealing with concerns e.g. i) it accepted bin store facilities at Ryde were inadequate and a new bin store has been designed and at the issue date of this report is being constructed;	Evidence risk The probability that insufficient high-quality data exists to know what impact is occurring	For this report, we did not collect direct feedback from residents living in FAH's general needs housing. This increases evidence risk because we did not hear from one group of the	FAH is committed to incorporating resident voices as a key component of the Fund's Annual Impact Report. For previous impact reports, we have run resident surveys, visited schemes and conducted interviews with FAH's general needs residents to gather feedback. For this report, we were able to speak to scheme managers to get a general update from them, and to hear their view of how the schemes are impacting residents' lives. Moreover, we were able to collect detailed resident feedback from residents in EAH's portfolio of specialist bousing. This included site

ii) lighting controls for en-suite shower/bathrooms were poor and have

been rectified by the contractor as a design/construction defect.

FAH Risk Mitigation Strategies Impact Risk Category Risk Level & Description In addition, TGE conducts social due diligence on all proposed investments. This aims to assess each scheme's potential to deliver positive impact, including an assessment of its suitability given resident needs. a scheme is operational, FAH receives quarterly updates from artner RPs. This includes information on operations and build ity such as repairs and health and safety. all, our view is that FAH has systems in place to identify any ing-related issues. has now exited from most of its Independent Living portfolio. e 32 properties: Four long-term vacant properties were sold on the open market 20 properties were sold to Single Homeless Project [SHP], with the leases transferred to Windrush Alliance UK Eight properties are still owned by FAH and managed by FAHHA. The process is under way for these properties to be sold, with leases then being assigned. e process of exiting from this portfolio, FAH conducted a detailed w of Windrush as the new lessee. This was presented to the HA Board and approved. All residents of the 20 properties already

eover, we were able to collect detailed resident feedback from residents in FAH's portfolio of specialist housing. This included site visits to two schemes and interviews with a range of residents.

6. Conclusions and Next Steps

Areas of Strength

- Resident wellbeing during site visits and through conversations with residents, we heard repeated evidence of FAH's homes impacting resident wellbeing positively. This includes residents reporting feeling safer, more confident, more able to socialise and more settled in a long-term home that meets their needs appropriately. Both younger residents with disabilities (River Beal Court) and older residents at several schemes reported a sense of greater independence.
- Additionality FAHHA has played a significant role in enabling FAH to contribute substantial additionality to the sector. It has managed to leverage in grants from Homes England for schemes such as Freshwater and Birchett Road, Aldershot. This facilitated subsidised rents and increased the number of affordable homes delivered.
- Quality of partners feedback from residents suggests they receive a predominantly high quality of service from on-site staff. This was particularly true in relation to FAH's portfolio of specialist housing, where residents receive additional support in their daily lives.

Potential Risks and Areas for Improvement

- > FAH has added no new schemes to the portfolio in the last two years, though Freshwater completed construction in September 2021. This slowdown in investment has limited the Fund's contribution to increasing the supply of affordable housing in recent years. However, FAH does expect significant equity investment towards the end of 2022 and has re-established a pipeline with an investment potential of many tens of millions.
- We heard evidence of operational issues at some schemes affecting residents. This includes anti-social behaviour in the area surrounding Birchett Road and local youths on the Ryde site. While addressing these matters is the responsibility of the local partner RP, the Fund has engaged with them to provide support where appropriate.
- Residents across FAH's portfolio are likely to be facing challenges brought about by the cost of living crisis. At Board level, there have been initial discussions to consider how help can be provided to the residents of FAH's partner RPs.

Appendices

Appendix 1 - Data sources

The table below provides full transparency on all the data sources contained within this report, and which have been used to inform TGE's impact assessment. The 'Evidence Risk' column refers to TGE's view on the likelihood that the source generates high-quality data. This includes considerations such as: the completeness of the data/sample; potential bias; and the likelihood that other relevant insights exist but could not be collected.

Data Source/Evidence	Overview	Evidence Risk	Comments
Scheme-by-scheme data and information	Information on each scheme provided to us by FAH during the due diligence phase. This includes information on: investment amount, number of homes, tenure breakdown, rent levels, project location, relevant partners, planning requirements, grant and funding details.	Low	Reliant on accuracy of data provided by FAH.
EPC data	Dataset showing distribution of EPC ratings in the FAH portfolio. Provided to us by FAH.	Low	Reliant on accuracy of data provided by FAH.
Occupancy data	Dataset showing occupancy of the portfolio across FAH's 10 schemes. Provided to us by FAH.	Low	Reliant on accuracy of data provided by FAH.
Gross Development Value (GDV) data	GDV data provided for each scheme. This is provided to us by FAH on an annual basis.	Low	Reliant on accuracy of data provided by FAH.
Yearly scheme data provided by housing management partners	Data shared with us by housing management partners. This includes information on occupancy levels, resident demographics and, in some instances, the results of surveys conducted with residents.	Low	Reliant on accuracy of data provided by partners. Variation in the amount and quality of data received across different schemes.
Example composite monitoring report of partner RPs	This composite report, taken from selected schemes, illustrates the information that the Fund collects from its partner RPs on a quarterly basis. This includes rent, voids, repairs, health and safety and an overview of quarterly and annual information.	Low	Reliant on accuracy of data provided by FAH.
Interviews with housing management partners	Interviews conducted with FAH's housing management partners. Through these interviews, we aim to get an update on progress at the scheme during the past year, as well as hearing feedback on specific building-related matters and any resident stories to highlight this.	Medium	We aim to speak to all housing management partners on an annual basis; however, this can be difficult in practice. This year, we spoke to representatives of eight of the Fund's 10 schemes.

Data Source/Evidence	Overview	Evidence Risk	Comments
Site visits to selected schemes	We conduct site visits to selected schemes to hear feedback from residents and staff on their view of the scheme. This year we have been able to visit two schemes – Beaumont House, Walton-on-the-Naze and Colwell Road, Freshwater.	Medium	We can only visit a few schemes each year. However, the feedback gathered provides detailed insight direct from residents and on-site staff.
Resident interviews	Interviews conducted with residents of several schemes. These are either conducted in person while on site visits or remotely through video or audio calls.	Medium	We can only conduct interviews with residents from a few schemes. Also, contingent on views of the residents we speak to being representative.
G/V gradings of partner RPs	We conduct a review of the Governance and Viability (G/V) gradings published by the RSH for each of FAH's six partner RPs.	Low	None – the RSH is an independent regulatory body. These gradings should accurately reflect an independent appraisal of their standard of governance and financial viability.
CQC ratings of partner care providers	Where care is delivered to residents living in a FAH property, we conduct a review of the CQC rating published.	None	None – the CQC is an independent regulatory body. These ratings should accurately reflect an independent appraisal of the quality of care being delivered.

Appendix 2 - The Equity Impact Project

Equity Impact Reporting Framework

Funding Affordable Homes ("FAH")

This is based on the EIP Framework.



FAH aligns to the Equity Impact Project **Housing Affordability** theme.

Delivering homes to households unable to rent or buy on the open market.



FAH aligns to the Equity Impact Project **Social Care (Supported Housing)** theme. Seeking to meet the growing demand for specialist housing and support.



This fund aligns to the Equity Impact Project **Environmental Sustainability** theme. Seeking to help mitigate and adapt to climate change, protect and restore ecology and use resources sustainably.

Statement of practice on fund structure and impact governance

Statement on Fund Additionality

FAH provides additionality to the social and affordable housing sector through forward-funding and forward-purchasing new housing stock. This includes general needs affordable housing and specialist housing for those requiring additional support. Since inception in 2015, FAH has delivered 10 schemes including three general needs schemes, one homeslessness hostel, one supported living property and five Extra Care schemes. In total, this means FAH has delivered 768 new homes, with the capacity to provide housing for more than 1,300 people. However, no new schemes have been added to the portfolio in the last two years.

Independent advisory firm The Good Economy (TGE) acts as FAH's social impact advisor. In that role, TGE assesses the level of additionality FAH is contributing for each scheme. Across FAH's 10 schemes, TGE assesses eight to be cases in

which FAH is contributing High additionality, and two to be Medium additionality.

For certain schemes, FAH plays an important role in driving forward delivery of affordable homes which may otherwise not have occurred. For example, at both Freshwater and Aldershot, FAH was able to leverage in grant funding, unlocking sites and increasing the number of affordable homes delivered above the required level. In both these cases (and others) FAH's wholly-owned RP – Funding Affordable Homes Housing Association (FAHHA) – acts as an important vehicle for the Fund to increase the level of additionality it brings to the sector. FAHHA enables FAH to access grant funding, access Section 106 housing, and in the future the Fund is hoping to use FAHHA to access discounted land from local authorities to take on land-led development projects.

Statement on Approach to Impact at Exit

FAH is a build-and-hold fund with an initial life of 10 years from October 2022. However, FAH did exit from its Independent Living portfolio in 2021. This was a portfolio of 32 specialised supported housing [SSH] properties for individuals with support needs. Of the 32 properties, four long-term vacant properties were sold on the open market, while 28 properties have either been or are currently being reassigned to a SSH investor, with the leases reassigned to a specialist SSH housing association. FAH conducted detailed due diligence of the housing association as the new lessee and this was approved by the FAHHA Board. For the properties that have already been reassigned, all residents remained at the same address with the same care provider. For those properties still to be reassigned, steps are being taken to ensure there will be no alteration of services for any resident.

Statement on Impact Risk Management

TGE has also acted as FAH's social impact advisor since the Fund's inception in 2015. In this role, TGE conduct a social due diligence on all proposed deals. This involves assessing the impact potential of a proposed scheme against the Fund's impact objectives, as well as identifying any relevant impact risks. In addition, TGE publish an Annual Impact Report. This incorporates feedback from relevant partners and residents to gather direct stakeholder feedback. It also includes an impact risk assessment, which identifies potentially relevant impact risks using a framework developed by the Impact Management Project [see p.40–41].



Housing Affordability qualitative statements

Managing repairs and renovations for leasehold properties where the Fund maintains ownership over the freehold Nine of the Fund's ten properties are owned freehold, one property is on a 999-year lease. The management and maintenance services, for seven of our affordable housing investments, are delivered through 20-year management leases with local housing association partners. The Regulator of Social Housing (RSH) promotes key performance measures and the housing association sector has used these to develop Key Performance Indicators (KPIs) to report 'good', 'acceptable' or 'poor' performance. FAH/FAHHA monitor delivery of repairs on a quarterly basis across all the typical Health & Safety and delivery indicators. The management lease allows FAH/FAHHA to step-in to help improve poor performance, with consultants or directly, and if satisfactory performance cannot be achieved there is recourse to take over service delivery and ultimately to replace the provider. In the case of our three FRI leases, the same performance criteria are measured and ultimately forfeiture could occur if service delivery was shown to put residents at risk.

Nine of the Fund's ten investments are new build so have required very minimal capital works (renovation), and already meet high levels of supporting the move towards Net Zero Carbon. All have an EPC rating of 'A' or 'B'. For these, a sinking fund will be built up to allow for capital works. The final investment, our homeless project at Luton, was a conversion of a concrete framed office building. It meets the Building Regulations target of EPC 'C', with capital works being the responsibility of the tenant housing association through a FRI lease.



Social Care (Supported Housing) qualitative statements

Asset Management Approach

FAH/FAHHA have seven specialist affordable housing investments, consisting of five Extra Care schemes, one supported living scheme and one homeless project. Four of the Extra Care schemes are let on management leases. Delivery of repairs is monitored on a quarterly basis across all the typical Health & Safety and delivery indicators. The management lease allows FAH/FAHHA to step-in to help improve poor performance, with consultants or directly, and if satisfactory performance cannot be achieved there is recourse to take over service delivery and ultimately to replace the provider. One Extra Care scheme, the supported living scheme and the homeless project are let under FRI leases. In the case of the FRI leases, the performance criteria are also measured every quarter and ultimately forfeiture could occur if service delivery was shown to put residents at risk.

Rent Setting and Value for Money

FAH and FAHHA's general needs schemes are initially set at Local Housing Allowance levels. Extra Care schemes, the single supported living scheme and the homeless project are all subject to 'exempt rent' status. For the Extra Care and supported living schemes, core rent is set at an Affordable rent level, at no more than 80% of market rent. In addition there are specialist support services negotiated with the local Housing Benefit office. Homeless rents are set to reflect the nature of the homeless accommodation and the services provided. As a result, rents are different from one location to another.

Annual increases for FAH/FAHHA's seven management leases follow regulatory/governmental guidance. The three FRI leases have specified annual rent increases.

With its own housing association subsidiary, the FAH group is constantly aware of 'value for money' [VfM] delivery. VfM is reported bi-annually to the FAHHA Board and included as a separate section of the annual report and financial accounts. Each project is negotiated with a local housing association who has experience of both the area and the services to be delivered. These considerations form part of agreeing the rent to be charged to the association. The association should therefore be able to deliver a satisfactory margin. As charitable organisations, any surplus generated will of course be re-invested into their general activities.

Target Need

Each of the FAH/FAHHA projects go through an impact assessment which includes: local need; additionality [does the development provide extra affordable accommodation which may not otherwise have been built]; affordability [rents/service charges below market levels]; quality of development and sustainability; and quality of the local association and the support services it delivers. As part of the sustainability assessment secondary benefits are also appraised. This includes access to: employment opportunities; transport hubs; health and education facilities; and green space.

The schemes are developed with a local housing association to meet specific local needs. In most cases the association will have involvement at a very early stage, so it is able to influence specification and design.



Environmental qualitative statements

Mitigate Climate Risks

Flood risk:

Some assets fall within flood areas and the mitigating actions vary depending on the severity of the flood risk. Where there is a perceived flood risk local planning authorities require Flood Risk Assessments.

A number of assets contain Sustainable Drainage Systems to alleviate flood risks and to promote sustainable drainge, such as permeable paving, attenuation tanks and balancing ponds. Some assets have also incorporated design features in response to increased flood risks. For example, Island Point lies within Flood Zone 3 (high risk). To reduce the impact of flooding the ground and finished floor levels have been raised throughout the site and a Flood Risk Emergency Plan implemented.

Overheating:

Some assets contain Mechanical Ventilation with Heat Recovery systems to provide fresh filtered air into homes. All proposed assets will be built in line with the Building Regulations which includes considering overheating mitigation requirements as set out in Approved Document 0.

Reach Net Zero

Existing portfolio:

Subject to board approval and site feasibility FAH will invest in the installation of Internet of things (IoT) systems. This involves the installation of physical sensors to buildings to enable the remote monitoring of gas, electricity and water consumption via a central dashboard. This will enable FAH to understand the carbon footprint of its assets and where it can potentially be reduced.

For the future, FAH will report annually within the GRESB Real Estate Assessments framework.

Future projects:

FAH will work with sustainability consultants to develop Employer's Requirements setting out sustainability performance requirements for new projects.

Net Zero Carbon Trajectory:

Edmond de Rothschild Real Estate Investment Management [EdR] is the real estate and investment advisor to FAH and FAHHA. A goal of EdR's ESG policy on directly managed assets and portfolios is to provide net zero training for key members of staff, and collaborate with housing associations to ensure that we are working towards the regulator and government's net zero goals.

Metric reporting

This is based on the EIP Framework.

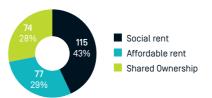


Societal impact area 1: Housing Affordability

Everyone has access to a secure and affordable home.

Increase Supply

266 | General Needs homes funded



Forward purchased



620 | Projected number of peopled housed

Target Need

Homes in areas of constrained affordability

100%

Deepen Affordability

99% of rented homes at or below Local Housing Allowance (LHA)

Of shared ownership homes:

- > 49% rated high affordability
- > 30% rated medium affordability
- > 21% rated low affordability

35% | Average rental discount to market rent

Improve Home and Place



96% of homes meet the Nationally Described Space Standard

Ensure Quality Services



100% of renting residents have a 3-year assured tenancy agreement (AST) or longer



Increase Supply

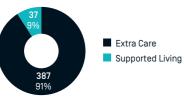
Societal impact area 2: Social Care (Supported Housing)

Those receiving care do so in quality, appropriate accommodation.

Specialist Supported Housing

424 Specialist Supported Housing

homes funded



Forward-funded

100%

630 | Projected number of people housed

Target Need

See 'Target Need' qualitative statement on p.47

Breakdown of people by previous accommodation

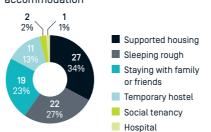
Transitional Supported Housing

78 Transitional Supported Housing

Hostel accommodation for those experiencing or at risk of homelessness

78 | Projected number of people housed

places funded



Specialist Supported Housing

Transitional Supported Housing

Deepen Affordability

See 'Rent Setting and Value for Money' qualitative statement on p.47

0% of rents at or below Local Housing Allowance [LHA] – FAH's homelessness project is classed as exempt accommodation

Ensure Quality Services

100% of CQC ratings are 'Good' [available for four out of six schemes]



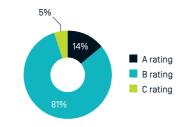
100% of residents are in receipt of support alongside their accommodation¹²

W

Societal impact area 3: Environmental Sustainability

Environmental Sustainability

EPC ratings



Scope 1, 2 & 3 greenhouse gas emissions per m² [asset performance level¹⁴]

	CO ₂ per m
Island Point	1kg¹
Rosebank Park	10kç
Landmark Pinnacle	10kç
Freshwater	13kç
Aldershot	13kç

	CO ₂ per m ²
Balmoral Place	14kg
Beaumont House	14kg
Ryde	15kg
River Beal Court	24kg
Midland House	39kg

¹² Note all residents are supported but there are not prescribed hours. Rather, residents receive person-centred support from the provider managing the building.

¹³ Data from five homes at Island Point is missing.

¹⁴ CO₂ emissions per m² figures are based on EPC ratings.

Total capacity of renewable energy production

Not available for all schemes in portfolio. However, for specific schemes photovoltaic panels have been installed. The figures below are based on manufacturers/design literature and may not reflect the actual capacity without testing and monitoring:

- > Freshwater 11.97kW
- > Ryde 11.76kW
- > Island Point 15.00kW
- > River Beal Court no estimate at time of this submission

The findings and opinions conveyed in this report are based on information obtained from a variety of sources which The Good Economy believes to be reliable and accurate. However, the information reviewed should not be considered as exhaustive and The Good Economy, its principals and staff cannot and does not guarantee the accuracy, completeness and/or fairness of the information and opinions contained herein. This report shall not be construed as a financial promotion or as a recommendation, invitation or inducement to any person to engage in investment activity. This report has been prepared solely for the benefit of Funding Affordable Homes and no other person may rely upon this report. Accordingly, The Good Economy accepts no duty of care, responsibility or liability [whether in contract or tort [including negligence] or otherwise] to any person other than Funding Affordable Homes for any loss, costs, claims or expenses howsoever arising from any use or reliance on this report.

The information within this report is subject to change relative to new developments, facts and/or research. The Good Economy therefore reserves the right [but is under no obligation] to alter the conclusions and recommendations presented in this report in light of further information that may become available.

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