

# LEGAL & GENERAL AFFORDABLE HOMES SUSTAINABILITY AND IMPACT REPORT 2021

MAY 2022







Legal & General Affordable Homes (LGAH) has separate operational, development and property entities. The development arms of LGAH enter Forward Sales Agreements for the sale and transfer of assets upon completion. The property entity purchases the completed assets from the development companies under the Forward Sales Agreement. And the operating company provides all operational, financing, development and asset management services.

This report relates to the following entities:

- Legal & General Affordable Homes (Operations) Limited
- Legal & General Affordable Homes (Development) Limited
- Legal & General Affordable Homes (Development 2) Limited
- Legal & General Affordable Homes (Development 3) Limited
- Legal & General Affordable Homes (Capital) Limited
- Legal & General Affordable Homes Limited
- Legal & General Affordable Homes (SO) LLP
- Legal & General Affordable Homes (AR) LLP.

This report has been commissioned by Legal & General Affordable Homes ("LGAH") and has been prepared by The Good Economy Partnership Limited ("The Good Economy" and "TGE"), a specialist impact advisory firm with expertise in impact measurement and management.

The Good Economy supported LGAH in developing its impact assessment methodology and will review LGAH's sustainability and impact performance on an annual basis. This report is based on quantitative analysis of data and evidence, as well as in-depth interviews with LGAH management and staff, Housing Management partners, local authorities, land agents and developers.

The findings and opinions conveyed in this report are based on information obtained from a range of sources, which The Good Economy believes to be reliable and accurate. However, the information reviewed should not be considered exhaustive and The Good Economy, its principals and staff cannot and do 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 LGAH 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 LGAH for any loss, costs, claims or expenses howsoever arising from any use or reliance on this report.

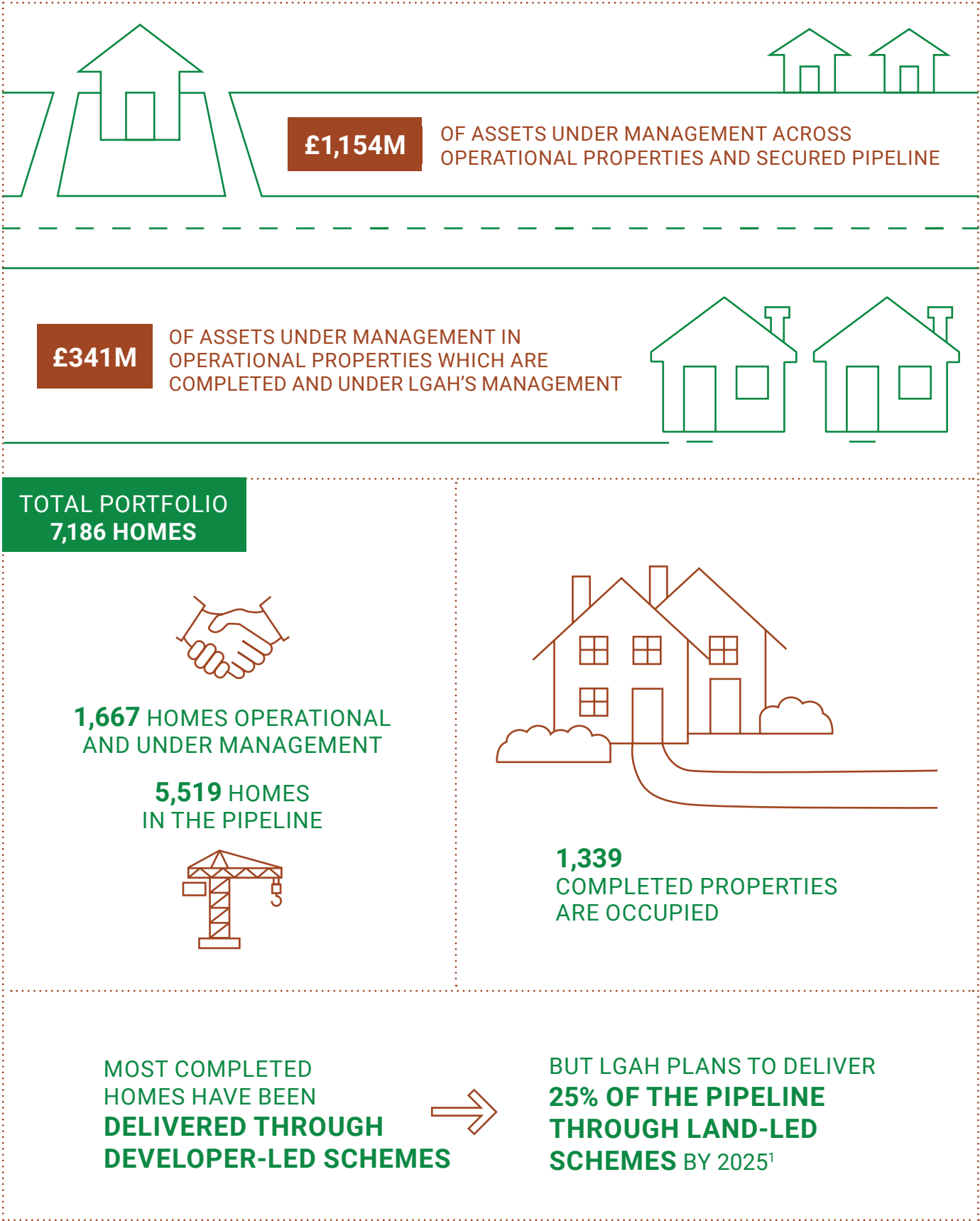
The information within this report is subject to change relative to new developments, facts and/or research. The Good Economy therefore reserves the right (but is under no obligation) to alter the conclusions and recommendations presented in this report in light of further information that may become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

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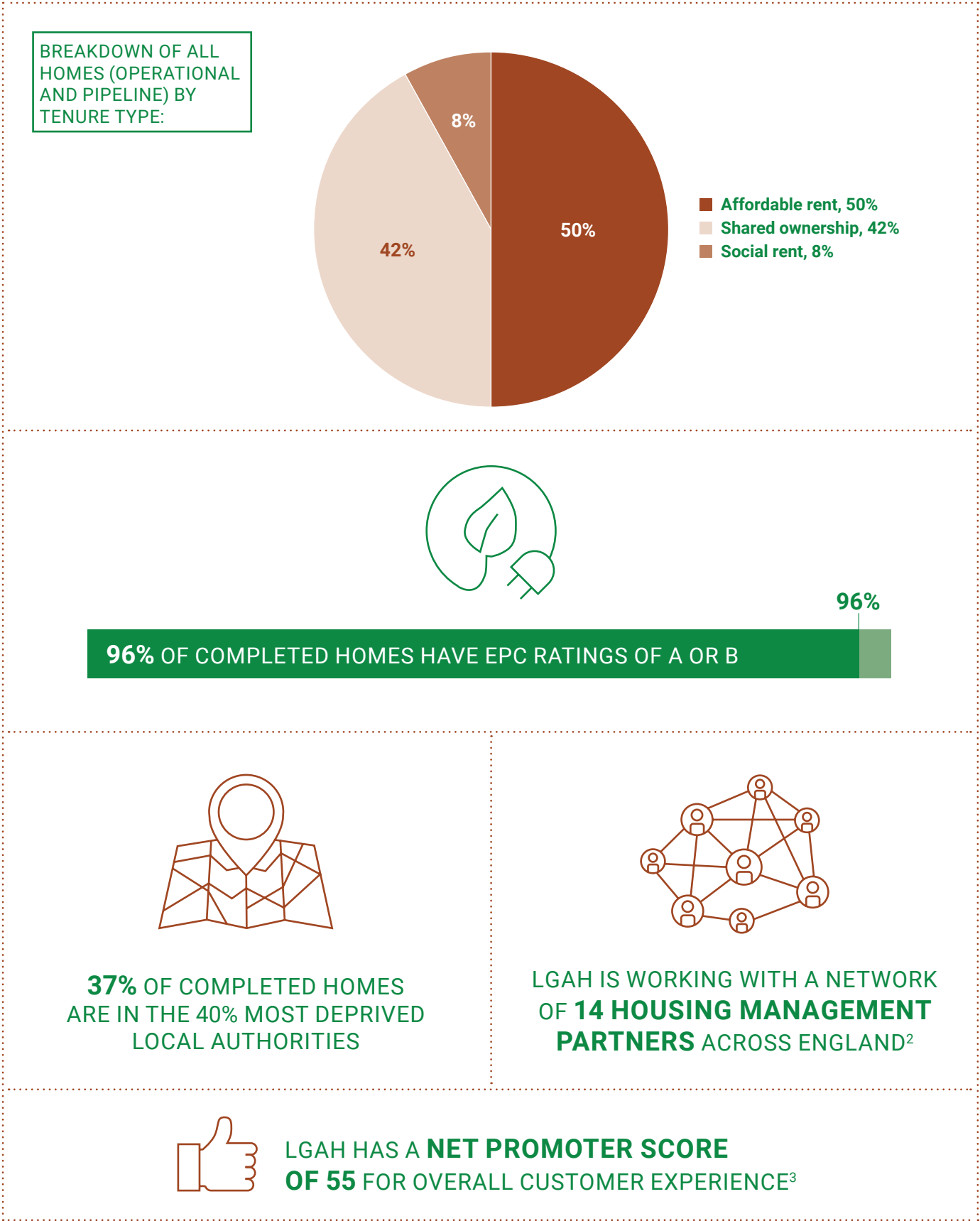
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# HEADLINE RESULTS – INFOGRAPHIC

As of 31st December 2021.



1.Land-led: schemes where LGAH buy and develop land, generally with Grant funding. Land-led schemes are also delivered in partnership with a developer. Developer-led: S106 and Grant-funded schemes whereby LGAH is not the developer.



2. 13 Housing Management partners as of 31st March 2022.  
3. Based on data collected from customers throughout 2021. Detailed tracking data was only implemented from July to December 2021 – during this period, 338 surveys were sent out, with 110 returned.



# EXECUTIVE SUMMARY

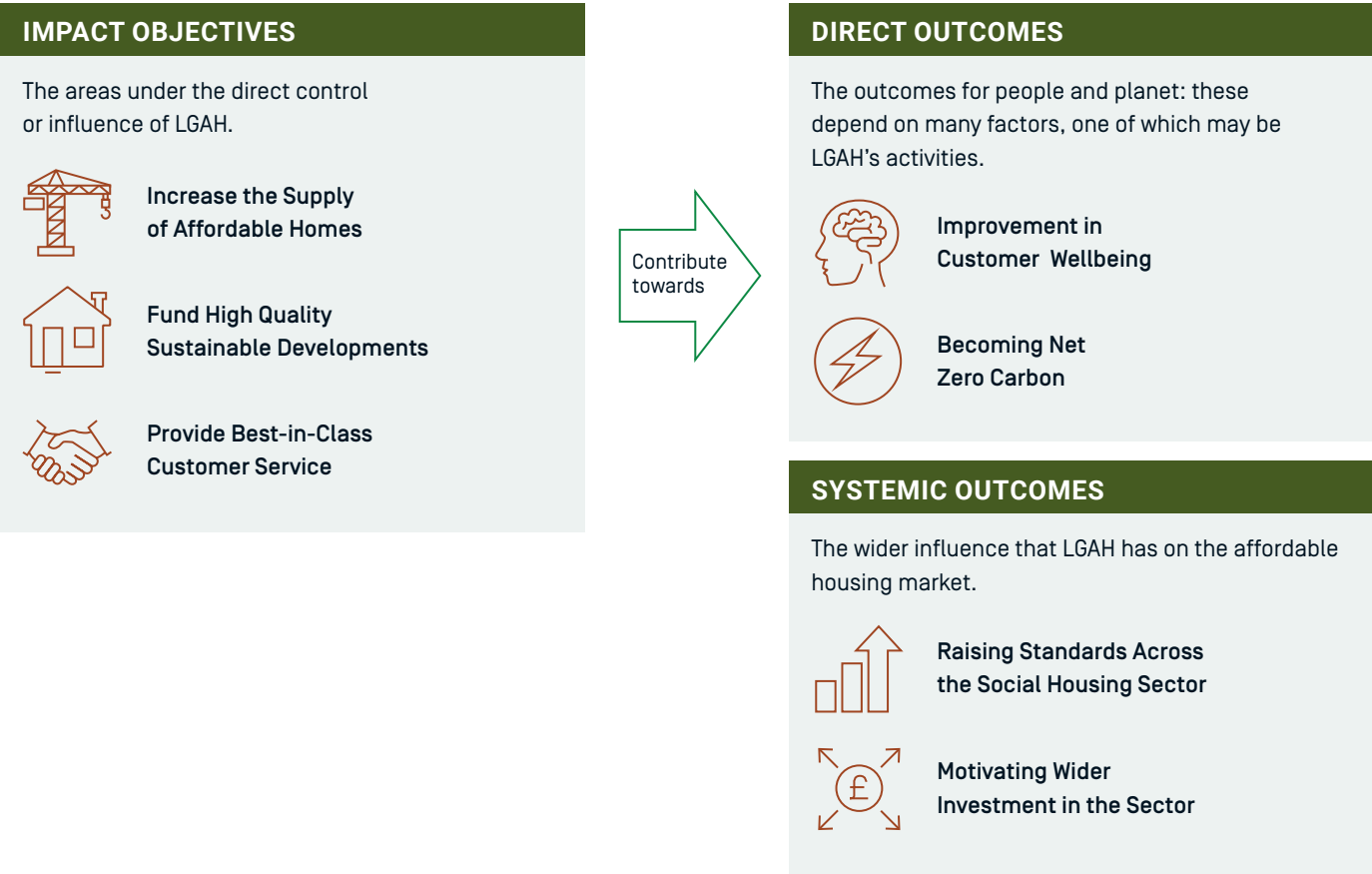
This is the first Sustainability & Impact Report for the Legal & General Affordable Homes family of businesses (LGAH) which invests in the UK affordable housing sector. LGAH was launched in 2018 and aims to increase the supply of Affordable rent and Shared Ownership homes by developing Land-Led and Developer-Led schemes. As of December 2021, LGAH has £1,154m of assets under management (AUM) across operational properties and secured pipeline. Its portfolio comprises 7,186 homes, of which 1,667 are completed and under management, and 5,519 are in the pipeline.

This report has been produced by The Good Economy (TGE), an independent impact advisory firm specialising in impact measurement and management. This report covers the entire period since LGAH's launch in 2018.

The report synthesises the findings from TGE's independent assessment of LGAH's performance against its stated impact objectives and against the target outcomes to which it aims to contribute. It also reports on LGAH's disclosure against the Sustainability Reporting Standard for Social Housing (SRS), as well as setting out LGAH's own Sustainability Framework (both in the Appendix).

## IMPACT ASSESSMENT

The diagram below provides an overview of LGAH's Impact Measurement and Management (IMM) framework. This framework sets out the impact objectives and target outcomes through which LGAH aims to contribute to positive impact creation.



# 1 / INTRODUCTION

## ABOUT LEGAL & GENERAL AFFORDABLE HOMES

Legal & General Affordable Homes (LGAH) is a for-profit Registered Provider (RP) that makes long-term investments in the UK affordable housing sector to help tackle the country’s housing crisis.

LGAH was launched in 2018 and is aiming to become the leading private affordable housing provider in the UK. It is a wholly-owned subsidiary of Legal & General Capital, which focuses on investing in sectors with shortages of capital and innovation, seeking growth opportunities and scale-ups.

LGAH aims to increase the supply of rented and Shared Ownership homes by developing a mix of Land-Led and Developer-Led schemes. Once homes are completed, LGAH contracts with partner housing associations and property management companies to manage the properties on its behalf. These entities have been selected using a framework agreement through which LGAH aims to develop long-term relationships with high quality housing managers.

As of 31st December 2021, LGAH’s portfolio (including pipeline) contains 7,186 units of affordable housing. 1,667 are completed and under management, and 5,519 are in the pipeline. Of the completed properties, 1,339 are currently occupied. It should be noted there is a natural void period between completion and occupancy, especially with Shared Ownership homes.

LGAH has significant growth plans over the coming years, with aims to deliver 3,000 homes per year as a medium-term target.

## MARKET CONTEXT

THE PROBLEM	The UK faces a chronic shortage of affordable housing. The National Housing Federation estimates the need for delivery of 145,000 affordable homes per year in England alone. As a result, more and more households are living in inadequate and expensive private rented accommodation and/or stuck on housing waiting lists. Housing associations (HAs) will need to play a key role to play in responding to these challenges. However, they are already facing many financial pressures, including fire safety remediations and the cost of moving properties to net zero.
INVESTABLE SOLUTION	Owing to the scale of the housing market’s challenges and the funding shortages faced by HAs, there is an opportunity for private investment. As Legal & General Group has substantial institutional investment seeking low-risk, sustainable long-term revenue streams, it is deploying its capital to help tackle the UK’s housing crisis through LGAH, which builds and manages affordable homes for the long term.
IMPACT INTENT	LGAH is aiming to maximise impact in the affordable housing market in three ways: 1 - By significantly increasing the supply of affordable homes being built 2 - By ensuring all LGAH homes are high quality 3 - By providing best-in-class customer service that positively impacts wellbeing.

## THIS REPORT

This Sustainability and Impact Report has been produced by The Good Economy (TGE), an independent impact advisory firm specialising in impact measurement and management.



This report contains TGE’s assessment of LGAH’s performance against its stated impact objectives and target outcomes. As this is the first Sustainability and Impact Report produced for LGAH, the assessment relates to the entire period since LGAH was established in 2018.

The report also contains LGAH’s disclosure against two frameworks for reporting sustainability performance:<sup>4</sup>

- 1 The Sustainability Reporting Standard for Social Housing (SRS)**  
A sector-standard approach to ESG reporting for the social housing sector. It aims to provide a framework for housing providers to report ESG performance in a transparent, consistent and comparable way. The Standard contains 12 themes and 48 individual criteria across E, S and G (see Appendix 2 for LGAH’s disclosure against the SRS).
- 2 LGAH’s Sustainability Framework**  
A framework that LGAH developed in 2021 to capture information on its homes’ and sites’ sustainability performance (see Appendix 3 for an overview of LGAH’s Sustainability Framework). This framework is intended to feed into Legal & General Capital and Legal & General Group’s sustainability objectives and reporting.

This report was produced during 2021 and early 2022. Accordingly, all customer experiences will have been influenced by the Covid-19 pandemic, which has been present in the UK since early 2020.

4. The disclosures themselves for both the SRS and LGAH’s own Sustainability Framework appear within the Appendices of this report. However, relevant themes from each framework have also been mapped to the impact objectives within the Impact Performance section of the report.

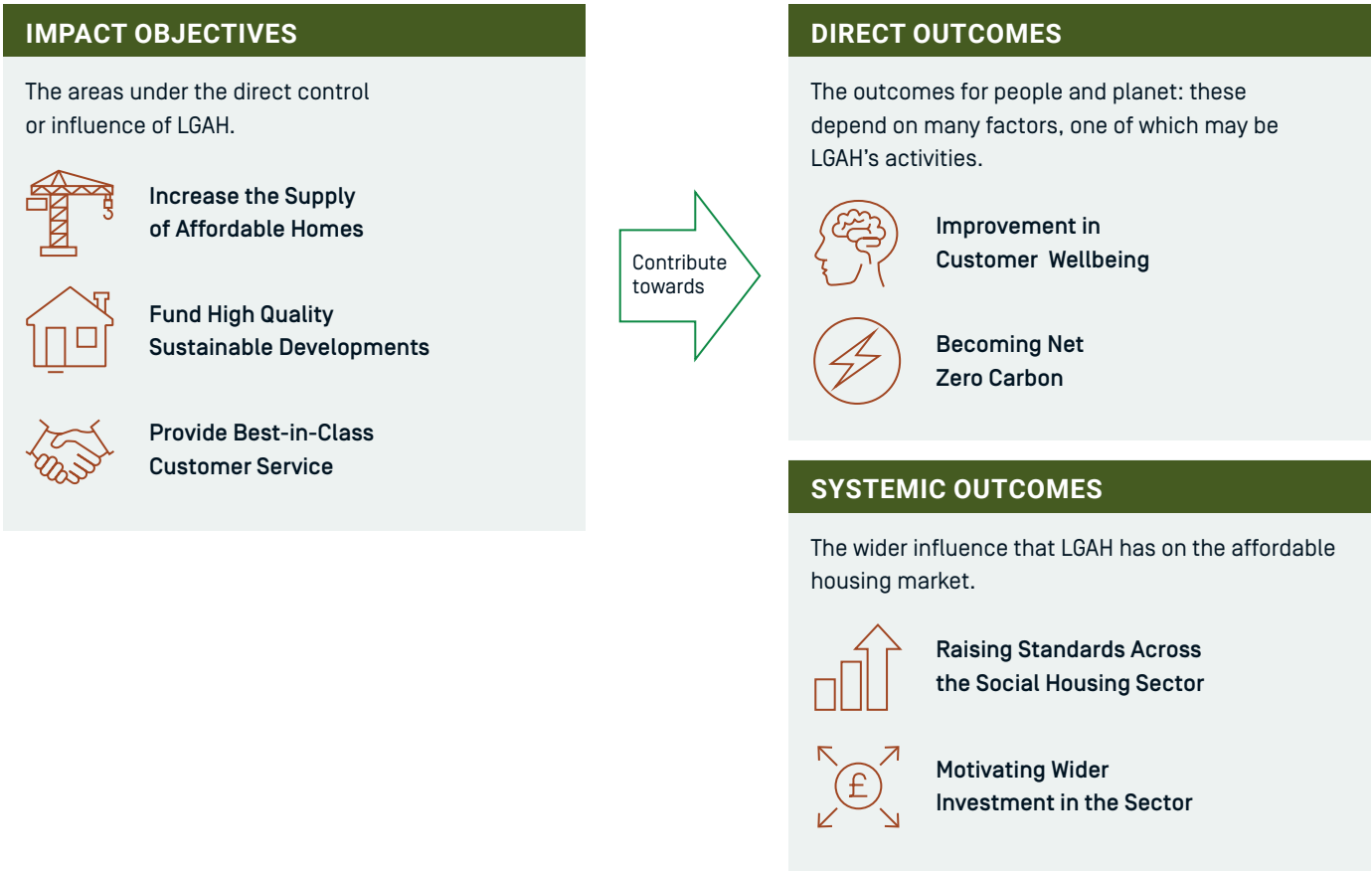
# 2 / IMPACT MEASUREMENT AND MANAGEMENT

## LGAH'S IMPACT MEASUREMENT AND MANAGEMENT FRAMEWORK

LGAH's impact goal is to increase the provision of high-quality affordable housing and to contribute to raising service standards within the sector.

Under this overall impact goal, LGAH has worked with TGE to develop an Impact Measurement and Management (IMM) framework. Its purpose is to identify the activities and target outcomes through which LGAH aims to contribute to positive impact creation for people and the planet.

### LGAH's IMM Framework



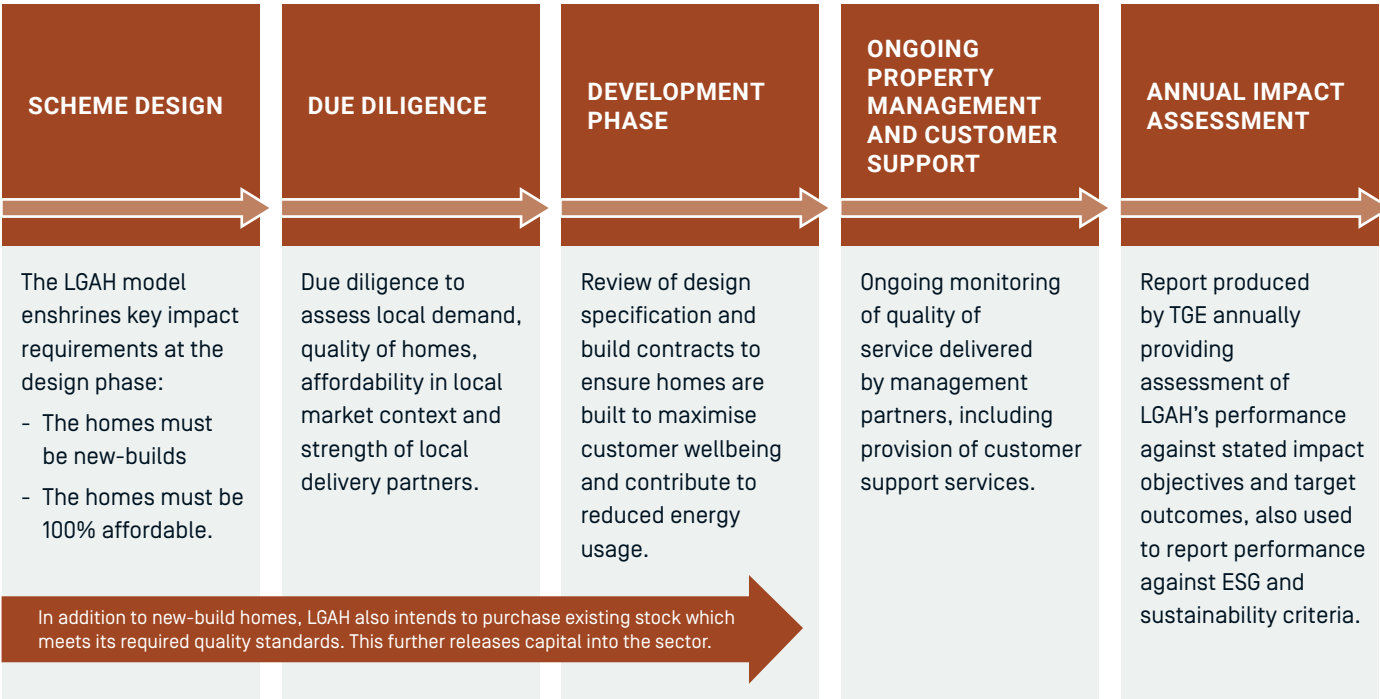
## IMPACT MANAGEMENT PROCESS

TGE has worked with LGAH to ensure impact is considered at every stage of the operational cycle.

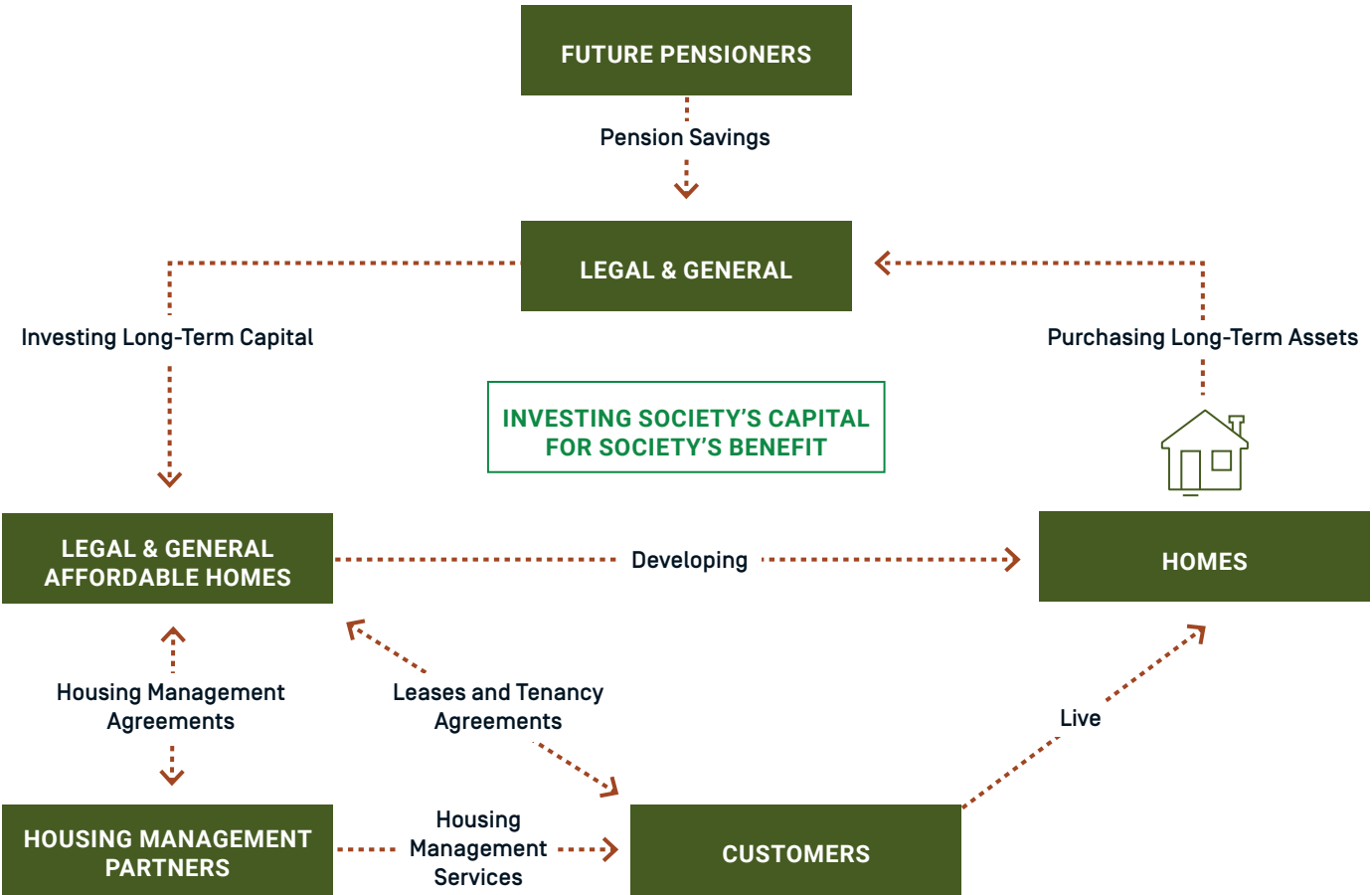
Embedding impact considerations into LGAH's core processes ensures that impact management is used as a tool to drive learning and improved impact, rather than just as a technical

task around tools, metrics and data reporting. This is a key element of any impact management framework as it ensures that impact is a key consideration in the investment strategy.

### LGAH's Impact Management Approach



## STAKEHOLDERS



IMPACT REPORTING AND SUSTAINABILITY REPORTING

TGE’s impact assessment of LGAH is based on its impact objectives – these describe the core activities through which LGAH is aiming to contribute to the creation of positive impact.

It is also important, however, to outline how these impact objectives relate to the broader Sustainability frameworks to which LGAH is aiming to disclose information. These frameworks are:

- 1 The Sustainability Reporting Standard for Social Housing (SRS)
- 2 LGAH's own Sustainability Framework (Which aligns with and supports Legal & General Capital and Legal & General Group’s own sustainability objectives.)

EXAMPLE THEME	The Sustainability Reporting Standard for Social Housing – Relevant Themes.
EXAMPLE THEME	LGAH Sustainability Framework – Relevant Themes.




Please see Appendices 2 and 3 for LGAH’s disclosures against these two frameworks.

These frameworks provide a broader overview of LGAH’s sustainability performance as an organisation, rather than focusing specifically on the impact of its core operations. There is evidently a degree of crossover between these two areas of focus, but they are different frameworks that fulfil a fundamentally different purpose.

Where there is alignment between LGAH’s IMM framework (the focus of Chapter 3 of this report) and the two sustainability frameworks, TGE has highlighted the relevant themes (see below):

Mapping LGAH's Impact Framework to wider Sustainability Frameworks

The diagram below presents the alignment that TGE has mapped out between LGAH's impact objectives and the two sustainability frameworks:

LGAH Impact Objectives	 INCREASE THE SUPPLY OF AFFORDABLE HOMES	 FUND HIGH QUALITY SUSTAINABLE DEVELOPMENTS	 PROVIDE BEST-IN-CLASS CUSTOMER SERVICE	Important ESG themes that don't directly align to a specific objective
Sustainability Reporting Standard for Social Housing - Relevant Themes	AFFORDABILITY AND SECURITY	BUILDING SAFETY AND QUALITY RESOURCE MANAGEMENT CLIMATE CHANGE	RESIDENT VOICE RESIDENT SUPPORT	PLACEMAKING ECOLOGY BOARD AND TRUSTEES STRUCTURE AND GOVERNANCE STAFF WELLBEING SUPPLY CHAIN
LGAH Sustainability Framework - Relevant Themes		HEALTH AND WELLBEING ENERGY AND CARBON TRAVEL AND MOBILITY ENVIRONMENTAL QUALITY RESOURCE MANAGEMENT	SOCIAL AND ECONOMIC INCLUSION	

# 3 / PERFORMANCE AGAINST IMPACT OBJECTIVES

As of 31 December 2021, LGAH has invested £341 million in 1,667 operational homes which are completed and under its management. In addition, it has a further 5,519 homes in its pipeline with a Gross Asset Value of £813m. This brings LGAH's total AUM including operational homes and pipeline to £1,154m. The pipeline homes are currently being developed and are either under contract or progressing through LGAH's investment approval processes. LGAH has a target of delivering 3,000 homes per year as a medium-term target through a mix of both Land-Led and Developer-Led schemes.



## IMPACT OBJECTIVE 1

### ■ INCREASE THE SUPPLY OF AFFORDABLE HOMES

Increase the delivery of affordable homes using a mix of both Land-Led and Developer-Led schemes.

Sustainability Reporting Standard for Social Housing – Relevant Themes [see Appendix 2]	LGAH Sustainability Framework – Relevant Themes [see Appendix 3]
AFFORDABILITY AND SECURITY	

#### Context

The UK faces a chronic shortage of affordable housing. A consistent undersupply of appropriate housing over many years has led to nearly 8 million people in England alone experiencing some form of housing-related need.

Millions live in substandard, overcrowded or unsuitable homes and more than 1.1 million households are on local authority housing waiting lists.<sup>5</sup> One in three low-income earners have had to borrow money to pay their rent, while there are increasing levels of homelessness, including people sleeping on the streets as well as those stuck in temporary accommodation such as hostels and B&Bs.

Meanwhile, home ownership has become increasingly unattainable for many. Between 1997 and 2017, median house prices increased by 259%, while median earnings increased by 68%.<sup>6</sup> This disparity has left vast numbers of people stuck living in family homes or in expensive private rented accommodation, unable to afford to buy on the open market.

To tackle these well-documented issues, there is an urgent need to increase the supply of housing. The National Housing Federation (NHF) estimates a need for 340,000 homes a year every year to 2031, of which 145,000 should be affordable. This compares to actual delivery of 52,000 affordable homes in 2020/21.

Legal & General estimates that meeting this target will require £34bn of additional capital funding per year comprising three elements: debt, equity and subsidy. Debt is already readily available to housing associations, but constrained by the borrowing limits of housing associations, hence it is the levels of equity and subsidy that are the key funding constraints.

Legal and General estimates that £10 billion is needed in the form of equity from institutional investors. However, government subsidy remains vital for the provision of affordable housing, particularly for social rent levels which is needed by those on the lowest incomes. There is a strong case for greater levels of public investment in affordable housing given the multiplier effects of increased economic activity and reducing the social externalities of poor housing, including the negative effects on financial well-being and health. Fundamentally, the only way to overcome the affordable housing crisis is through a new coming together between all stakeholders - housing associations, institutional investors and government.

“Housing need manifests itself in a variety of ways, such as increased levels of overcrowding, acute affordability issues, more young people living with their parents for longer periods, impaired labour mobility resulting in businesses finding it difficult to recruit and retain staff, and increased levels of homelessness.”  
– UK Government Briefing Paper, Tackling the under-supply of housing in England, January 2021

5. National Housing Federation (NHF), People in Housing Need, Sept 2020.  
6. ONS, Housing Affordability in England and Wales.



Impact Performance

IMPACT OBJECTIVE	METRIC	RESULT
INCREASE THE SUPPLY OF AFFORDABLE HOMES	OPERATIONAL PORTFOLIO ONLY	
	Assets under management – operational homes	£341m
	Total number of operational homes	1,667
	Total number of occupied homes	1,339
	Occupancy rate*	80%
	Breakdown of operational homes by method of delivery	
	Developer-Led	100%
	Land-Led	0%
	Percentage of operational homes in the 40% most deprived local authorities	37%
	OPERATIONAL PORTFOLIO AND SECURED PIPELINE	
	Assets under management – operational and pipeline	£1,154m
	Total number of homes – operational and pipeline	7,186
	Breakdown of all homes by status	
	Operational and under management	23%
	Pipeline	77%
	Breakdown of all homes by tenure type	
	Social rent	8%
	Affordable rent	50%
	Shared Ownership	42%

\*Note there is a natural void period between completion and occupancy, especially with Shared Ownership homes.

TGE Comment

LGAH, through investing a substantial level of equity into the sector, is playing a key role in closing the funding gap required to meet the significant affordable housing deficit. As of December 2021, LGAH has invested in a total of 7,186 homes, of which 1,667 homes (23%) are operational and under LGAH’s management, and 5,519 homes (77%) are in the pipeline. This amounts to a total value of £1,154m AUM, of which £341m is invested in operational homes. Of LGAH’s portfolio of completed homes, 1,339 are occupied as of year-end (80% occupancy).

LGAH is delivering a mix of mostly social rent, Affordable rent and Shared Ownership homes through both Land-Led and Developer-Led schemes with a medium-term target of delivering 3,000 homes per year.

LGAH is also partnering with Government to deliver affordable housing. In September 2021, LGAH was one of 35 providers to be selected as a strategic partner for Homes England. It was awarded £125m to fund 2,121 rented and Shared Ownership homes across the country, making LGAH the largest Homes England grant recipient (c.40%) among for-profit providers. LGAH’s award of this funding is part of the £11bn national Affordable Homes Programme, which will provide grant-funding for around 90,000 affordable homes over the next five years.

**AFFORDABILITY AND SECURITY** Across LGAH's portfolio (including units under management and pipeline), 8% are social rent homes, 50% are Affordable rent, and 42% are Shared Ownership.

TGE assesses LGAH's social rent properties – typically set at around 50% of market rates – as having the highest social impact since they are affordable to people on the lowest incomes. The individuals and families who will live in these homes will typically be from the highest priority groups on local authority housing waiting lists, with many having previously been living in inadequate and/or overcrowded accommodation. At 8%, the proportion of social rent homes in LGAH’s portfolio is slightly higher than new-build delivery in the wider affordable housing sector, where only 5% of all completed homes in the year to March 2021 were in the social rent category.<sup>7</sup>

Approximately 50% of LGAH's homes are to be let at Affordable rents – these are set at a maximum of 80% of market rates. These homes will typically provide for households who have been on social housing waiting lists, but who are likely to have relatively higher incomes than those living in social rent homes.

In addition, 42% of LGAH's homes are for Shared Ownership. These homes will provide a route to home ownership for those who are struggling to afford to buy on the open market. This target demographic has a need for appropriate, affordable home ownership options. However, their level of need is relatively less acute than households on the lowest incomes. Accordingly, TGE assesses these homes as less impactful than social and Affordable rent homes.



7. Homes England, Housing Statistics 1 April 2020 – 31 March 2021.

Of LGAH's portfolio of completed homes as of December 2021, most (around 88%) have been delivered through Section 106 agreements. LGAH also has plans to deliver a substantial number of homes through Land-Led delivery in the coming years.

These Section 106 deals bring capital to the sector, which indirectly funds other development or the improvement of existing stock through freeing up not-for-profit housing associations to direct more capital to these activities. One of LGAH's land agents reported to TGE that a range of bidders is usually interested in the schemes that LGAH looks to acquire. The bidding process tends to be competitive and so, without LGAH's involvement, it is likely that many of these schemes would still be financed by another organisation. However, TGE are aware that some of LGAH's activities and partnerships do contribute to opportunities to deliver homes which wouldn't otherwise exist. Of the homes delivered by LGAH to date, 12% have been grant-supported. There is a plan to grow this to 25% by the end of 2024.

Land-Led delivery will become a more central component of LGAH's strategy over the coming years. TGE assesses LGAH's contribution to increasing the supply of affordable housing as higher with Land-Led schemes than with Section 106 allocations. Through Land-Led schemes, LGAH has greater ownership over the development process and a greater opportunity to shape

and drive forward the delivery of housing that may otherwise have not been delivered. LGAH also has greater influence over the specification of the developments. Many units in the pipeline currently undergoing construction are being delivered through Land-Led delivery. In addition, approximately 750 of the more than 3,000 annual completions which will be delivered in the medium-term are to be Land-Led.

Housing management partners also pointed to ways in which LGAH contributes tangible additionality to the sector. Coastline Housing, a regional housing association in Cornwall where there is an acute housing crisis, informed TGE that its partnership with LGAH has helped build its financial resilience and enabled it to invest more of its own resources on bespoke, higher-impact schemes. For example, it is investing in purpose-built homelessness property. This provides a specific example of a project which is likely to have positive benefits for the most vulnerable, but which market actors would be less likely to fund due to the added complexity involved in its delivery.

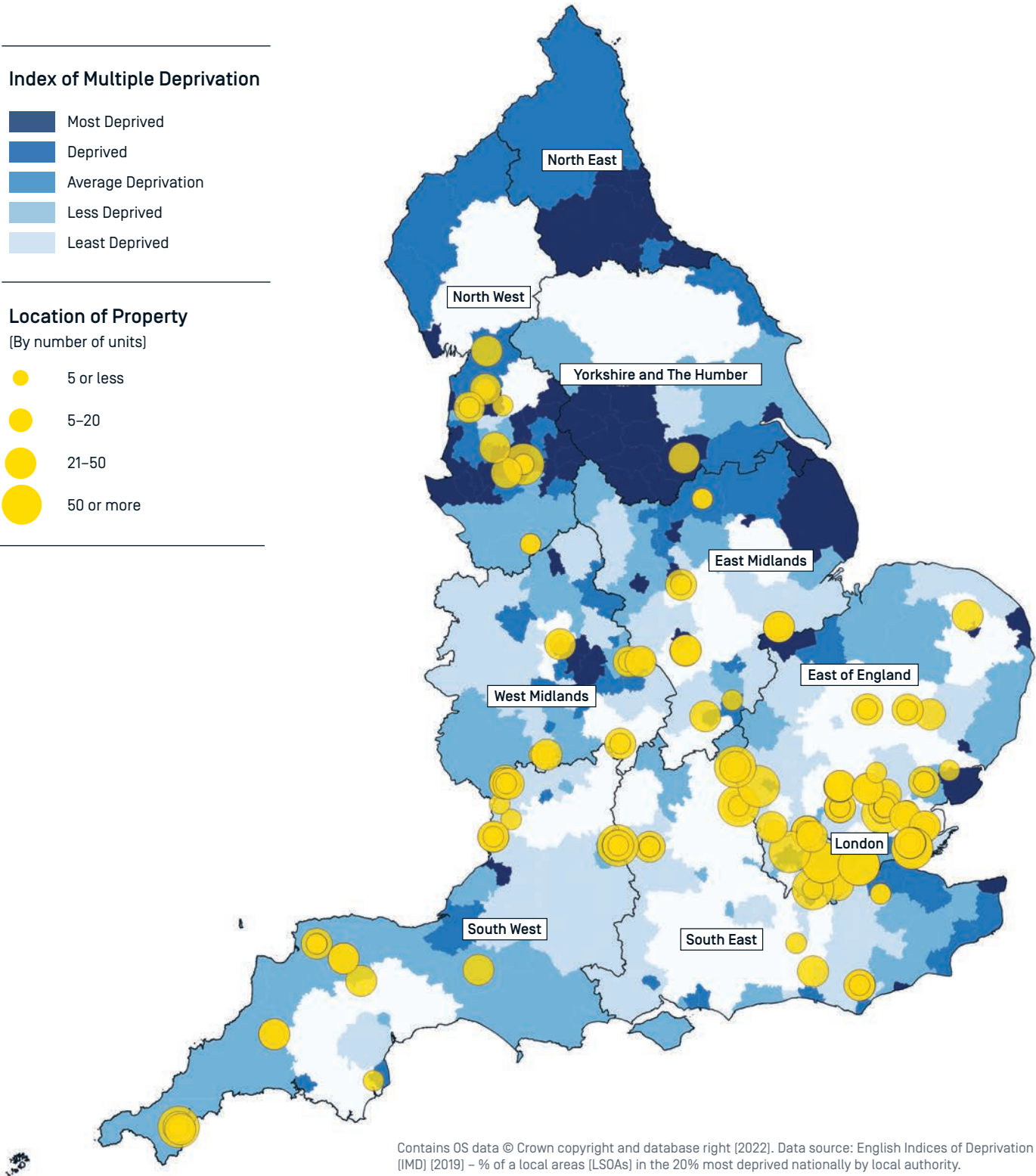
“Working with LGAH, who are able to acquire and finance the delivery of more straightforward S106 schemes, provides real benefit to us by making us more resilient and de-risking us as an organisation whilst still enabling that type of affordable housing delivery. This in turn also gives us more scope to direct resources towards delivering riskier, and more impactful schemes (normally with Grant support), which other organisations may be unlikely to take on.” – Nathan Mallows, Director of Finance and ICT, Coastline Housing



In general, stakeholders provided positive feedback on working with LGAH. Land agents, housing management partners and local authorities stressed that LGAH has a positive reputation in terms of its focus on quality and deliverability. TGE heard that LGAH is transparent in its approach, has established good working relationships with housing associations, and brings a high level of sectoral expertise and understanding to proposed deals. This makes it an attractive source of capital for developers and often sets LGAH apart from other investors.

LGAH has a policy within its investment process to consider the level of local need for affordable housing. Proposed schemes will only be deemed eligible for investment if there are over 500 households in the local authority area on the social housing waiting list at the point of investment.

As of December 2021, LGAH's completed homes are in 53 local authorities across England. 37% are in the 40% most deprived local authorities.



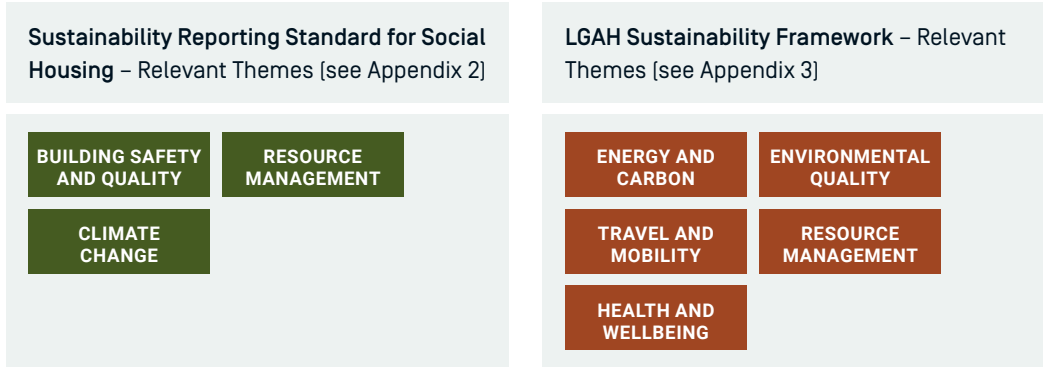




IMPACT OBJECTIVE 2

FUND HIGH QUALITY SUSTAINABLE DEVELOPMENTS

Fund the development of high-quality housing, which meets customer needs and remains fit-for-purpose for the long-term.



Context

The quality of people’s homes has a significant influence on both physical and mental health. Besides evident physical health benefits from living in a warm, dry house, a high-quality home also makes it less likely that people will suffer stress, anxiety and depression.

Going into the Covid-19 pandemic, one in three households in England (32%, or 7.6 million) had at least one major problem relating to overcrowding, affordability or poor-quality housing.<sup>8</sup>

These issues have only come into sharper focus in the context of the pandemic, with poor housing conditions associated with greater spread of Covid-19 and poorer overall health outcomes.

The UK also faces a significant challenge over the sustainability of its housing stock. To reach its Net Zero 2050 target, the government has recommended that, as a first step, all homes should meet the threshold of an EPC Grade C by 2035 “where practical, cost-effective and affordable”.<sup>9</sup> Meeting this target will have important implications for the UK’s level of carbon emissions. It should also help reduce the impact of fuel poverty on residents by reducing heating bills while ensuring that homes remain fit-for-purpose.

“A safe, settled, home is the cornerstone on which individuals and families build a better quality of life, access the services they need and gain greater independence.”

– Jake Eliot, Former Policy Leader, National Housing Federation

Impact Performance

IMPACT OBJECTIVE	METRIC	RESULT
FUND HIGH QUALITY SUSTAINABLE DEVELOPMENTS	Distribution of EPC ratings	
	A	10%
	B	85%
	C	1%*
	D	2%*
	E	1%*
	Percentage of homes that meet National Space Standards (NSS)	61%
	Average daylight factor	These are all metrics taken from LGAH's Sustainability Framework. Data capture processes are still in the process of being developed so there is no data to report as of Dec 2021. However, in future years, TGE will use these metrics to assess LGAH's impact performance against this objective.
	Percentage of homes within 400m of 2ha green space	
	Percentage of projects that provide food growing space	
	Percentage of homes with electric vehicle charge point and/ or access to electric car club	
	Percentage of construction materials constituted from recycled material	
	Percentage of construction materials achieving A+ or A BREEAM Green Guide	

\*Of the homes with EPC rating lower than B, over 70% relate to Leon House in Croydon. This was a retrofit 1960s office building which would have been significantly more carbon-intensive to demolish and rebuild.

TGE Comment

Of LGAH's completed properties, 96% have an EPC rating of A or B.

CLIMATE CHANGE

ENERGY AND CARBON

There is a high proportion of homes rated B or above. As the average EPC rating for UK homes is D, this demonstrates that LGAH performs well on the energy efficiency of its homes. This is, however, largely to be expected as LGAH is almost entirely acquiring new-build properties. As the median EPC rating for new-build homes in England is B, LGAH's portfolio is in line with expected performance. Looking forward, LGAH has set itself ambitious targets. Its long-term target is to ensure that from 2030, all homes LGAH develop will be net zero carbon enabled.

As part of its Sustainability Strategy, LGAH has also set targets around delivering net zero carbon enabled homes in operation, and the Energy Use Intensity (EUI) of its homes (see 'Becoming Net Zero Carbon' on page 30 for more details). The EUI targets have been set in line with the RIBA Climate Challenge, which aims to provide a stepped approach towards reaching net zero in the design of buildings. LGAH emphasised to TGE that EPCs are just one aspect of sustainability, and EUI provides a more accurate and appropriate metric. Therefore, EUI is something LGAH will look to measure moving forward to evidence the sustainability performance of its portfolio.

Of LGAH's portfolio (including completed homes and the pipeline) around 61% of homes meet the space requirements set out in the National Space Standards (NSS). However, LGAH has adopted its own bespoke internal space standards, which are a combination of NSS and Housing Quality Indicators (HQI). Going forward, LGAH aims to secure 100% compliance with its own internal space standards, and where anything is lower, LGAH will review by exception.

LGAH has developed a detailed Sustainability Strategy, with separate sustainability frameworks setting targets for Land-Led and Developer-Led homes. LGAH has greater ability to influence the design of Land-Led schemes than Developer-Led schemes, although all homes must meet the build requirements as set out within LGAH's Scrutiny process.

8. The Health Foundation, Better housing is crucial for our health and the Covid-19 recovery, 28 Dec 2020.  
9. HM Government, The Clean Growth Strategy, Oct 2017.





See below for an overview of LGAH's development requirements in relation to its Land-Led schemes:

<div>BUILDING SAFETY AND QUALITY</div> <div>ENVIRONMENTAL QUALITY</div>	LGAH is aiming to design in various features which build resilience to the impacts of climate change, as well as restoring nature and improving biodiversity. For example, LGAH will be looking to have Building with Nature principles written into the design brief of 50% of projects. This is a standard that goes beyond statutory requirements to deliver high-quality green infrastructure. In addition, LGAH will be aiming to manage flood risk, deliver biodiversity net gain as well as provide food growing space for residents.
<div>TRAVEL AND MOBILITY</div>	LGAH is also aiming to ensure its schemes have the necessary infrastructure to encourage green modes of transport. For example, LGAH is aiming for 100% of homes to have access to secure bike storage. In addition, in compliance with new building regulations, LGAH's aim is for 100% of homes with associated parking to have access to electric vehicle charge points and/or access to an electric car club. It is working with Pod Point, a specialist provider of charging infrastructure for electric vehicles, to ensure it hits these targets. <sup>10</sup>
<div>RESOURCE MANAGEMENT<sup>11</sup></div> <div>RESOURCE MANAGEMENT<sup>11</sup></div>	LGAH has informed TGE that, during the due diligence stage, a materials hierarchy is used which measures the embodied carbon in each material. LGAH will minimise the use of brick, steel and other traditional building materials, and will instead rely where possible on timber frame construction owing to its sequestered carbon benefits. Modern Methods of Construction will be used where possible and in compliance with planning regulations. LGAH is targeting around 20-30% recycled materials and approximately 50% A or A+ according to the BREEAM Green Guide.
<div>HEALTH AND WELLBEING</div>	Through its Land-Led homes, LGAH's Sustainability Framework also outlines plans to design in various features which aim to support high levels of physical, mental and social health. This includes designing for natural daylight, cross vent solutions to prevent overheating and management of internal noise levels from outside and between homes. There is not yet data available to report according to these metrics. However, TGE will aim to report against them in future years as LGAH's data capture processes are fully established and its first batch of Land-Led homes reach completion.

10. Note that Pod Point is an investee of Legal & General Capital.  
11. 'Resource Management' is a theme for both the Sustainability Reporting Standard for Social Housing and the LGAH Sustainability Framework.



IMPACT OBJECTIVE 3  
■ PROVIDE BEST-IN-CLASS CUSTOMER SERVICE

Provide customers with a high-quality level of service which reduces the effort required on their part, and positively impacts wellbeing by minimising and quickly remedying housing-related issues.

Sustainability Reporting Standard for Social Housing – Relevant Themes (see Appendix 2)	LGAH Sustainability Framework – Relevant Themes (see Appendix 3)
<div>RESIDENT VOICE</div> <div>RESIDENT SUPPORT</div>	<div>SOCIAL AND ECONOMIC INCLUSION</div>

Context

One in three social housing residents experience problems accessing simple services such as ordering a repair, making a change to their tenancy, or enquiring about an issue in the neighbourhood. This makes them nearly three times more likely to experience a service problem than the average customer.<sup>12</sup>

These relatively poor levels of service impact wellbeing and diminish the level of trust residents have in their landlords. Following the tragedy at Grenfell Tower in 2017, there has been

increasing recognition of the need to rebalance the relationship between landlords and their customers. This includes the need to improve and speed up how complaints are resolved, and to empower residents to be involved in shaping services and holding landlords to account.

The government's Social Housing White Paper, published in November 2020, has an explicit focus on these topics. The paper presents a charter setting out seven commitments that residents should expect from their landlord, emphasising the importance of resident voice and influence.<sup>13</sup> These are positive developments that demonstrate the sector's recognition of the need to improve the standard of customer service and residents' capacity to shape those services.

“A home should provide safety, security and dignity. An opportunity to put down roots and contribute to our community so we can enjoy social and civic lives. Regardless of who you rent from, your landlord should treat you fairly and with respect. And if things go wrong there should be a swift and effective means of redress.”  
– The Charter for Social Housing Residents, Social Housing White Paper

12. Inside Housing, The social housing sector must do better on customer service, 18th Dec 2019.  
13. MHCLG, The Charter for Social Housing Residents: Social Housing White Paper, November 2020.

Impact Performance

IMPACT OBJECTIVE	METRIC	RESULT
PROVIDE BEST-IN-CLASS CUSTOMER SERVICE	Number of housing management partners	14
	Customer satisfaction rate	–
	Net Promoter Score (overall customer experience) <sup>14</sup>	55
	Number of complaints referred to the Housing Ombudsman in the last 12 months	0

TGE Comment

LGAH is developing a network of housing management partners who deliver high standards of customer service. Currently, it works with 14 housing management partners across England.

TGE carried out interviews with several of LGAH’s housing management partners to gather feedback on the steps being taken to ensure customers receive a high standard of customer

service. As the feedback was broadly that LGAH’s housing management partners provide their usual standard of customer service, it is key that LGAH selects its partners well, with a focus on organisations with a track record of delivering high standards of service.

LGAH receives monthly performance reports from all housing management partners. These contain Key Performance Indicators (KPIs) on the standard of service delivery, including customer satisfaction levels, complaints, repairs and compliance data.<sup>15</sup>

**LGAH’s Net Promoter Score for overall customer experience is 55. As scores over 50 are usually considered excellent, this is a sign of high standards of customer service.**

RESIDENT VOICE

LGAH’s housing management partners also confirmed to TGE that LGAH is investing time and money in developing digital platforms which should, when fully developed, have a positive impact on the customer experience. This includes various technology-enabled approaches which will enable self-service for customers when reporting repairs, complaints or accessing other support services. As these are still being developed, TGE cannot yet comment on their impact on the customer experience. Nonetheless, LGAH’s commitment to developing these tools evidences a customer-centric approach and a positive direction of travel in this area.

This year LGAH has formed a customer panel, with 41 members so far. This panel is likely to review the LGAH Home User Guide early in 2022. In addition, in November 2021, nine customers joined the LGAH Board meeting to provide feedback and to share their priorities in relation to their homes.

SOCIAL AND ECONOMIC INCLUSION

LGAH is also seeking to maximize the social and economic inclusion generated by its sites through putting in place specific strategies and commercial arrangements with its management partners. This includes contracts specifically requiring management partners to support customers around their finances, including provision of debt advisors, benefits support and digital access to rent accounts. In addition, a key objective in the agreements with management partners is to take steps to ensure customers feel safe in their neighbourhood. LGAH also aims to encourage social connectivity through design and master planning around aspects such as places to sit and socialise, food growing spaces and where cars are parked. For future years, TGE will look to assess the impact generated by LGAH’s management partners in this area.

**Overall, it is evident that LGAH recognises the key aspects of their tenancies that social housing residents value. Work is underway to improve their access to services and ensure the quality of the relationship with their landlord.**

It should be stressed that this is an area in which LGAH is going above and beyond affordable housing investors’ usual activities. Interviews with housing management partners confirmed to TGE that LGAH’s drive to improve the customer experience provides

an example of a much deeper level of engagement than they are used to seeing from investors. TGE judges that this has the potential to raise standards across the sector more generally by providing a blueprint for prioritising the customer experience.

**“As a commercially focused, socially principled organisation, we work best when we have likeminded clients. We have found LGAH to be excellent people to work with both individually and collectively and there is real collaboration in terms of prioritising the standard of service customers receive.” – Oliver Miller, PRS Director, Pinnacle Group**

RESIDENT SUPPORT

It is standard LGAH policy to offer all customers in rented accommodation a five-year tenancy as a minimum. This should provide stability and peace of mind. LGAH also takes steps to let homes at a standard that includes:

- Carpets and flooring for every room in the house
- Clean and bright decoration
- Access to a garden, and if a private garden, a space to store tools.

While speaking to customers, TGE heard that most had found their home ready for them when they moved in and greatly appreciated the customer service they received.

TGE spoke to one customer who has a daughter with a physical impairment. Their home has a series of adaptations (a seat installed in the wet room) which were already in place when they moved in. This made a significant difference to the family, who had been waiting for a more suitable home for seven years.

Dealing with Customer Issues and Complaints

In the context of 1,339 households in occupation of LGAH housing stock, there have been 17 complaints in total in the last 12 months, none of which were referred to the Housing Ombudsman. 56% of the 17 complaints were linked to delays fixing defects.

LGAH’s Complaints Policy mandates that dissatisfied customers are contacted within 2 working hours to discuss the issue, and any formal complaints are investigated and completed within 5 working days. All formal complaint findings are reviewed by the Operations Director to ensure the resolution provided is in keeping with policy. When dealing with complaints, there is emphasis on driving LGAH Management Partners (MPs) to directly focus on meeting customer needs rather than prioritising a process driven approach to complaints. LGAH meet on a monthly basis with all MPs to review complaints and agree actions to remedy these issues.

A complaints case management system is being launched within Brolly, LGAH’s internal system. This has been developed and is currently being tested in Q1 2022. Once complete, this will be launched for internal case management which will provide better insight and user functionality.

Complaints are analysed and presented annually to the Board in a detailed report to understand where areas of dissatisfaction are arising and what is being done to remedy them. The LGAH Board also had a Customer Immersion Day in November 2021 with 9 customers sharing their experiences, good and bad, with LGAH. This has generated a report and a response back to the Board in January 2022, with separate plans to address issues that are deemed systemic and those deemed exceptions.

14. NPS based on data collected from customers throughout 2021. Detailed tracking data was only implemented from July to December 2021 – during this period, 338 surveys were sent out, with 110 returned.  
15. LGAH has commissioned customer surveys to track satisfaction levels across its homes. However, in most instances, these have not yet been carried out. TGE will look to track and report on the results of these surveys in future reports.



See below for some specific examples of issues experienced in 2021 and how they were dealt with by LGAH.

ISSUE	LGAH RESPONSE
A resident described his flat as having “bits that were unfinished” including the skirting boards not being finished properly, and the ceiling light fitting protectors not being fully attached.	In response to complaints around defects, LGAH is putting in place a process to require the MPs to confirm in advance that homes are ready to be handed over to them, free from defects. This is impacting the level of complaints from defects at first occupancy. In addition, a separate pilot program for defect management is being run in 2022 with the aim of reducing the completion of defects.
In relation to schemes at Wembley Park, TGE heard some negative feedback from residents relating to the quality of building management, general maintenance and Anti-Social Behaviour, which was negatively impacting some residents’ wellbeing.	LGAH meet on a monthly basis with all MPs to review complaints and agree actions to remedy these issues. The management, maintenance and behaviour issues at Wembley Park were reviewed at a meeting and, recognising higher levels of wear and tear associated with many new customers moving into the building, a daily cleaning program was put in place alongside an increased program of general maintenance and painting. Increased security was put in place to deal with Anti-Social Behaviour.
Residents informed TGE of issues with internal pipes vibrating, which took more than a year to rectify, while another described having ongoing issues with plaster beetles.	<p>In both of these cases, LGAH recognise that ideally these issues wouldn’t occur at all, however in both cases actions were taken by LGAH and its MPs to deal with the issues.</p> <p>In relation to the pipes, the issue was not straightforward, and so it took a few iterations to pin down and remedy. LGAH firstly raised the problem with the developer as a defect, and also ensured return visits when the problem wasn’t solved on the first visit.</p> <p>Regarding the plaster beetles, MPs sent pest control to two premises at the end of September 2021 and again at the beginning of December 2021. Only one beetle was found on the second visit. Insect traps were also installed and advice was given to customers around eliminating food sources.</p>



# 4 / CONTRIBUTION TO OUTCOMES

This section aims to assess the change in outcomes experienced by stakeholders impacted by LGAH’s activities.

Impact objectives play an important role in impact reports since these are the activities which LGAH controls directly. However, they are not sufficient to wholly capture LGAH’s impact since they do not account for the outcomes ultimately experienced by people and the planet.

This section aims to assess the target outcomes to which LGAH aims to contribute. As these are influenced by many factors, LGAH’s activities only contribute to them partially.

TGE have identified the main target outcomes which LGAH aims to contribute towards:

- Direct Outcomes**
  - Improvement in Customer Wellbeing
  - Becoming Net Zero Carbon.
- Systemic Outcomes**
  - Raising Standards Across the Social Housing Sector
  - Motivating Wider Investment in the Sector.

It should be noted that TGE’s assessment of LGAH’s contribution to outcomes is more limited than it will be for future reports. This is because many of LGAH’s data capture processes are still being developed. In future years, LGAH will have more outcomes data available to inform TGE’s assessment. TGE will also look to run an outcomes survey with a representative sample of LGAH customers.



The table below categorises LGAH's direct outcomes using the Impact Management Project (IMP) dimensions of impact. This is a standardised approach to impact measurement agreed by a network of more than 2,000 organisations, practitioners and investors.

IMP Dimensions of Impact<sup>16</sup>

IMP DIMENSION		OUTCOME: IMPROVING CUSTOMER WELLBEING	OUTCOME: BECOMING NET ZERO CARBON
WHAT impact is LGAH having?		Improvement in customers' wellbeing	Contribution to becoming net zero carbon
WHO is experiencing the impact?		Customers, mostly households on low to median incomes	The environment
HOW MUCH impact is LGAH creating?	Scale	Large scale – 1,667 operational homes, of which 1,339 are occupied as of December 2021	Medium scale – LGAH's portfolio of 7,186 homes is large-scale, yet in context of overall efforts to reach net zero carbon it is relatively small
	Depth	Dependent on degree of change in wellbeing	Dependent on degree of change in environmental performance of portfolio in reducing energy emissions
	Duration	Likely long-term – all rented customers offered a minimum five-year tenancy and Shared Ownership intended as long-term homes	Likely long-term – portfolio of homes which are designed to be fit-for-purpose for the long-term
What is LGAH's CONTRIBUTION to what would likely happen anyway?		LGAH is aiming to deliver affordable, high-quality homes with high standards of customer service. Therefore, customer wellbeing is <b>likely better</b> than what would have occurred without the availability of LGAH homes	Positive environmental performance ingrained in LGAH approach, with detailed plans laid out in Sustainability Strategy. Therefore, contribution to becoming net zero carbon is <b>likely better</b> than what would occur without LGAH
What is the RISK of the impact not happening?		<b>Execution risks:</b> <ul style="list-style-type: none"><li>— Homes do not meet customer needs as effectively as expected</li><li>— Housing management services are not delivered as effectively as expected</li></ul> <b>Stakeholder participation risk:</b> <ul style="list-style-type: none"><li>— Customer feedback is not suitably heard or accounted for in shaping provision of services</li></ul>	<b>Execution / drop-off risk:</b> <ul style="list-style-type: none"><li>— LGAH's stretching targets to achieve net zero carbon are to be delivered over the long term, particularly in relation to Land-Led homes. However, to date, most of LGAH's operational homes are Developer-Led, which offer less opportunity to influence design specifications</li></ul> <b>Viability risk:</b> <ul style="list-style-type: none"><li>— The cost of executing the plan, and the availability of required technology at scale</li></ul>

16. TGE has only categorised LGAH's direct outcomes according to the IMP dimensions of impact, and not its systemic outcomes. This is because the systemic outcomes cannot be fully categorised according to the IMP dimensions.



DIRECT OUTCOME 1  
■ IMPROVEMENT IN CUSTOMER WELLBEING

Impact Performance

TARGET OUTCOME	METRIC	RESULT
IMPROVEMENT IN CUSTOMER WELLBEING	In future years TGE plans to carry out surveys with LGAH customers	–

TGE Comment

In conversations with customers, TGE has heard first-hand that LGAH homes are making a positive difference to people living in them.

Tom<sup>17</sup> was sleeping in his car before being moved to emergency accommodation after he lost his job and separated from his partner at the start of the first Covid lockdown. He was then housed by his local authority in an LGAH home in Milton Keynes. His contact at Pinnacle (LGAH's housing partner) made it very easy for him to move in and quickly arranged everything for him. Tom hugely values having a secure, long-term home.

Tolani<sup>18</sup> and her family recently moved to the Bowery development in Wembley after previously living in a privately rented flat. Their new neighbourhood feels much safer than where they used to live, which has significantly improved their quality of life. Tolani's daughter also has outside space to play in. In addition to the quality of her home, Tolani commented on the responsive support that she got from her housing manager, which reduced the hassle of moving home.

17. Not his real name.  
18. Not her real name.



DIRECT OUTCOME 2

■ BECOMING NET ZERO CARBON

Impact Performance

TARGET OUTCOME	METRIC	RESULT
BECOMING NET ZERO CARBON	Average Energy Use Intensity	-
	Percentage of new and purchased homes fitted with smart controls linked to smart metering	-
	Percentage of homes' energy demands met with on-site renewable generation	-
	Percentage of homes that are net zero carbon enabled without changes to the building itself or the heating system	-

TGE Comment

For this report, there is relatively little data available to inform TGE's assessment of the extent to which LGAH is contributing to becoming net zero carbon. For future reports, LGAH will be looking to collect and share more data to inform TGE's assessment of this outcome area.

The distribution of EPC ratings shows that, of LGAH's completed properties, 96% have EPC ratings of A or B. This demonstrates positive performance but is in line with general standards for new-build properties in the UK.

It should be noted, however, that LGAH's creation of a detailed sustainability strategy shows the potential for a positive contribution to becoming net zero carbon over the long-term. LGAH has set ambitious and stretching targets relating to Energy Use Intensity (EUI) and the delivery of homes with smart meters and controls, on-site renewable energy production and net zero carbon.

LGAH's commitment is that from 2030, all the houses it develops will be net zero carbon enabled.

These are areas which go above and beyond general sustainability standards in the affordable housing sector. TGE would therefore expect to see LGAH's contribution to this outcome area improve as the sustainability strategy becomes more firmly embedded within the business.



SYSTEMIC OUTCOME 1

■ RAISING STANDARDS ACROSS THE SOCIAL HOUSING SECTOR

TGE Comment

During interviews with housing management partners, TGE heard that LGAH takes a far more engaged approach than many investors in the sector who are primarily focused on profit and cost. With LGAH, partners reported a people-centric approach and motivation to prioritise the standard of customer service.

Having only launched in 2018, LGAH is still at a relatively early stage. However, there is clear evidence of LGAH investing time and resources to drive improvements in service standards. TGE judges that this has the potential to influence the wider sector by raising the general standard of service that customers can expect to receive from their landlords.

In future reports TGE will look to track the number of organisations that are operating a similar model to LGAH – setting up a for-profit RP while taking a more hands-on approach than is typical to managing the experience of customers. This will provide insight into the extent to which LGAH's approach is 'crowding in' other similar investors in the social and affordable housing sector.

It is also worth highlighting that LGAH's senior executives are involved in driving wider innovation and transformation in the sector through a range of external roles. This includes roles with HACT, which aims to drive value in social housing, and the Bartlett School of Sustainable Construction, which is an academic centre of excellence for the study of real estate and the built environment.

In addition, several LGAH senior executives are involved with organisations which aim to drive inclusion and fairness in society more generally. This includes connections with The Young Foundation, The Fairness Foundation and The Quality of Life Foundation, all of which variously aim to tackle inequality and to build a fairer society.



SYSTEMIC OUTCOME 2

MOTIVATING WIDER INVESTMENT IN THE SECTOR

TGE Comment

LGAH is looking to use its scale and influence to encourage more private capital to enter the sector. One of the ways in which LGAH is looking to motivate wider investment in the sector is through publishing thought leadership papers which outline the nature of the issues faced by the sector, as well as defining ways in which those issues can be overcome.

For example, in March 2022, LGAH published a White Paper which set out plans for how to deliver the step change in affordable housing supply which is needed to tackle the significant deficit which currently exists. The paper outlined analysis showing the funding gap that exists, and advocated the value of a joined-up partnership approach between all stakeholders – housing associations, investors and government – as the only means through which that gap can be closed, through substantially increasing the amount of equity and subsidy entering the sector.

The publishing of such papers provides an example of LGAH using its expertise and influence to affect government policy and to attempt to direct greater capital flows towards tackling societal challenges.

In addition, LGAH is also involved with Homes England, the NHF and the Investment Property Forum to share best practice and to look to find other ways to solve the challenges faced by the sector.

MITIGATE IMPACT RISKS

Impact risk is the likelihood that impact will be different than expected, and that the difference will be material from the perspective of the target beneficiaries. TGE has analysed LGAH's potential impact risks using the [IMP's impact risk assessment framework](#).

The IMP identifies nine types of impact risk that enterprises and investors may face. TGE has classified three categories of risk as potentially material in relation to LGAH. The table below describes the nature of these risks, the level of risk to LGAH and the mitigating actions being undertaken.

IMPACT RISK CATEGORY	LEVEL OF RISK	LGAH RISK MITIGATION STRATEGIES
<b>Execution / Drop-off risk</b>  <b>Execution risk</b> – The probability that activities are not delivered as planned and do not result in the desired outcomes.  <b>Drop-off risk</b> – The probability that positive impact does not endure and/or that negative impact is no longer mitigated.	<b>Medium</b>  As a major investor with access to a substantial pool of capital, LGAH has the potential to deliver at significant scale in the coming years and is playing a key role in closing the funding gap required to meet the affordable housing supply-side deficit.  In addition, LGAH has set ambitious and stretching targets relating to build quality, sustainability and raising customer service standards.  However, for LGAH to really make a significant, long-term, positive contribution to the sector, these plans must continue to be fully executed over the coming years.	LGAH has designed a detailed Sustainability Strategy which clearly sets out the organisation's long-term vision for contributing to positive impact creation. This plan includes targets relating to a range of areas including Energy & Carbon, Health & Wellbeing and Social & Economic Inclusion.  Also, LGAH has established and rigorous processes in place to ensure that impact considerations are ingrained within the investment process. This includes a detailed scrutiny matrix in which proposed schemes are evaluated before going to investment committees. This practice should act as a safeguard to ensure that schemes which do not meet LGAH's impact standards are not considered for investment.  With a healthy pipeline of more than 5,000 homes, including approximately 25% being delivered through Land-Led schemes from 2025, LGAH has substantial scope to bring a high level of additionality to the sector over the long-term.  In addition, in April 2022, L&G made a commitment to invest around £2bn of retirement funds into Affordable housing over the next five years.
<b>Stakeholder participation risk</b>  The probability that the expectations and/or experience of stakeholders are misunderstood or not taken into account.	<b>Low</b>  LGAH's most important stakeholders are the people living in its homes. Yet as the ultimate landlord, LGAH is several steps removed from their experiences. It is therefore essential that LGAH puts in place processes to gather feedback from customers, and it partners with housing managers that deliver a high-quality service.	LGAH is investing in developing digital platforms which should improve the customer experience, making it easier for them to manage their tenancies and have their voice heard. Customer feedback surveys have also been introduced – these are completed within 30 days of move-in. As an organisation, LGAH is currently conducting a survey across all customers via the Institute of Customer Services. This will be an annual service which will give LGAH a score which can be benchmarked across the UK Customer Satisfaction Index.  In addition, through working with TGE, LGAH is ensuring that customer experiences are heard and accounted for. In preparing this Impact Report, TGE have spoken to several customers to gather feedback. In future years, TGE will look to run an Outcomes Survey with a representative sample of customers, and to conduct site visits to several schemes.



# 5 / CASE STUDIES

## WEMBLEY PARK

LGAH owns a scheme in Wembley Park, consisting of 213 units. The homes are spread across two sites, with 114 units at the Vantage development, and 99 units at the Bowery development, all delivered as part of a Section 106 requirement. Housing management services are provided by Pinnacle Group.



At the Vantage development, there are a range of one-, two- and three-bedroom apartments. All homes have a private balcony while residents also have access to a shared landscaped podium garden with a neighbouring block, as well as a private roof terrace.

At the Bowery development, the available homes range from one- to four-bed properties. Residents have access to a shared garden with a neighbouring block and also have views over a seven-acre park to the north. Across both sites, per the Section 106 agreement, all of the homes were to be let as Affordable rent properties.

In certain circumstances, situations can arise on schemes whereby Affordable rent is more than the Local Housing Allowance (LHA) for the area, and the Local Authority and the Registered Provider need to work together to ensure the properties are still satisfying a local housing need. This is what occurred at the Vantage site. As a result, it was agreed that people on the housing register would be given first refusal to apply for properties, rather than being directly nominated by Brent Council into the homes. Only after that process was exhausted, would customers be sourced away from the housing register, but still with some preferred eligibility criteria (such as living and working in Brent). The rents are still set at an Affordable rent, satisfying the Section 106 requirements and a large local housing need.

At the Bowery site, for the three- and four-bed homes (c.50 units), the Affordable rents do fall under the LHA and therefore Brent Council is nominating individuals into these homes. For the one- and two-bed homes (c.50 units), the story is similar to the Vantage development – these Affordable rents are higher than the LHA and so these homes are being let at 80% of market rates to eligible individuals with a housing need on the open market.

TGE has spoken to a number of customers from both the Bowery and Vantage sites. The customers reported that their homes are high quality, spacious and meet their needs. TGE will continue to monitor progress across the two sites and will look to report on the impact the homes are having on customers as they move in, in future reports.



## ICKNIELD WAY

Icknield Way is a new-build Affordable rent and Shared Ownership development owned by LGAH in Tring, Hertfordshire.



Alongside 22 Shared Ownership homes, the development comprises 68 Affordable rent homes, with the following breakdown:

- 12 x 1-bed flat
- 20 x 2-bed flat
- 8 x 2-bed house
- 28 x 3-bed house.

Customers began moving into Icknield Way in March 2021. At the time of writing, the homes are in the process of being let according to a Local Lettings Plan, which was agreed between Dacorum Borough Council and LGAH.

This stipulates that the properties will be allocated in the following way:

- One-third to homeless applicants**  
Households defined as homeless and for whom Dacorum Council has accepted full duty to provide appropriate housing.
- One-third to Transfer applicants**  
Households currently in another social housing property, but awaiting transfer to a home that meets their needs better (usually to do with either overcrowding or under-occupying).
- One-third to Homeseeker applicants**  
Households not currently in social housing but who are on the social housing waiting list awaiting allocation (usually lower priority individuals, such as a single men living with parents).

Dacorum is an area with an acute need for more affordable housing, with more than 7,200 households on the social housing waiting list. This equates to nearly 12% of local households, which is more than double the national average. It is unsurprising that demand for these homes has been high. According to Dacorum Borough Council, applications for three properties at the scheme were:

- 1-bed flat – 79 applicants
- 2-bed house – 73 applicants
- 3-bed house – 59 applicants.

This demonstrates the level of need for more affordable housing in the area and underscores the fact that demand continues to far outstrip supply. LGAH's investment is playing a role in addressing this by increasing the supply of affordable housing for people in need.





## 6 / CONCLUSIONS



- LGAH has already deployed a substantial volume of capital in the affordable housing sector. As of December 2021, it has invested £341m in 1,667 completed properties now under its management. Moreover, it has a pipeline of more than 5,500 units and plans to deliver 3,000 units per year as a medium-term target. As a major investor with access to a substantial pool of capital, it has the potential to deliver at significant scale in the coming years.
- All LGAH properties must meet the requirements as set out within its Scrutiny process. This is a relatively extensive set of requirements which allows LGAH to make active choices to only acquire properties which meet certain standards. In addition, LGAH has developed a detailed overarching Sustainability Strategy (with separate frameworks for Land-led and Developer-led schemes) which sets targets for build quality and net zero carbon emissions. LGAH has the potential to become a sector leader if these targets are met.
- LGAH has a reputation in the sector for investing time and resources in raising the standard of customer service that residents receive. This is an area in which LGAH goes beyond sector investors' usual level of engagement. Although these activities are still relatively early in their development, TGE sees this as an area where LGAH has the potential to raise standards in the sector as it scales up.



# APPENDIX

## APPENDIX 1 – DATA SOURCES

DATA SOURCE / EVIDENCE	OVERVIEW	EVIDENCE RISK	LGAH DISCLOSURE
Portfolio data	Portfolio data provided to TGE by LGAH. This included the following info for each property in the portfolio (operational and secured pipeline): address, development stage, completion date, tenure type, bed size, square feet, property type.	Low	Reliant on accuracy of information provided by LGAH.
EPC data	Portfolio-level overview showing distribution of EPC ratings in the LGAH portfolio. This is provided to TGE by LGAH.	Low	Reliant on accuracy of data provided by LGAH.
LGAH Sustainability Framework	Technical Manual providing overview of the LGAH Sustainability Framework. This manual includes the overall themes and objectives, as well as KPIs and forward-looking targets for LGAH's Land-Led homes.	Low	Reliant on the accuracy of the information provided by LGAH. Also, this is a forward-looking sustainability strategy, and so there is not yet actual data to report.
LGAH Scrutiny Sustainability Matrix	LGAH's Scrutiny Sustainability Matrix for its Land-Led homes. This matrix provides an overview of the minimum specification requirements for various items relating to six sustainability themes for a scheme to be eligible for investment. This was provided to TGE to provide evidence of how considerations of sustainability are ingrained into LGAH's investment process.	Low	Reliant on the accuracy of the information provided by LGAH, and on the matrix being utilised as stated within the investment process.
Example Building Compliance report	Example building compliance report provided to TGE by LGAH. This shows how properties are monitored by LGAH, including how it tracks when fire risk and legionella testing is next due across the portfolio.	Low	Reliant on accuracy of the information provided by LGAH.
LGAH Customer Experience Roadmap and Report	Customer Experience roadmap showing LGAH's actions and achievements to date in relation to customer experience, as well as setting out actions and priorities for the coming years.	Low	Reliant on the accuracy of the information provided by LGAH, and on the forward-looking actions and targets being put into practice as stated.
Qualitative responses to SRS	Qualitative responses to the 'Core' SRS criteria provided by LGAH.	Low	Reliant on the accuracy of the data provided by LGAH.
Interviews with LGAH staff	Interviews carried out with LGAH staff, including representatives from the following teams: finance, investments, operations, sustainability, customer experience.	Low	Reliant on the accuracy of the answers provided by LGAH staff. Also, these conversations provide insight into LGAH's processes, decision-making and strategy but they cannot provide the full picture since some info is confidential and cannot be shared.
Interviews with housing management partners (MPs)	Interviews carried out with LGAH's housing management partners. Through these interviews, TGE aim to get an update on the nature of the relationship, general experience of working with LGAH, and the level of engagement and monitoring. For this report, TGE spoke to representatives from three of LGAH's MPs.	Medium	TGE is unable to carry out interviews with all MPs on an annual basis, and is reliant on the introductions provided by LGAH.
Interviews with local authorities	Interviews carried out with local authorities in which LGAH schemes are located. Through these interviews, TGE aim to find out about the general experience of working with LGAH, and how the schemes are helping to address the local housing need. For this report, TGE spoke to representatives from two local authorities.	Medium	TGE is unable to carry out interviews with all local authorities, and is reliant on the introductions provided by LGAH.

DATA SOURCE / EVIDENCE	OVERVIEW	EVIDENCE RISK	LGAH DISCLOSURE
Interview with land agency	Interview carried out with a land and development agency. Through this interview, TGE aimed to find out about the nature of the relationship, general experiences working with LGAH and how LGAH brings additionality to the sector. For this report, TGE spoke to a representative from one partner land agency.	Medium	TGE is unable to carry out interviews with all land agencies, and is reliant on the introductions provided by LGAH.
Resident interviews	Interviews conducted with residents from various schemes. TGE was given contact details from the appropriate MP and all interviews were conducted remotely through video or audio calls.	Medium	TGE can only carry out interviews with residents from a handful of schemes. The results are therefore contingent on the views of this small subset of residents being a fair representation of the experience of residents across the wider LGAH portfolio.



APPENDIX 2 – THE SUSTAINABILITY REPORTING STANDARD FOR SOCIAL HOUSING (SRS)

The table below presents LGAH's submission against the SRS, a reporting framework which was designed to make it easier for affordable housing providers to report on their ESG performance in a consistent, comparable and transparent way. For this report, LGAH is only disclosing information against the 'Core' criteria. In future, LGAH will also aim to report against the 'Enhanced' criteria. This Appendix is LGAH's own SRS disclosure, with support provided by The Good Economy.

- This SRS submission relates to the following entities:
- Legal & General Affordable Homes (Operations) Limited
  - Legal & General Affordable Homes (Development) Limited
  - Legal & General Affordable Homes (Development 2) Limited
  - Legal & General Affordable Homes (Development 3) Limited
  - Legal & General Affordable Homes (Capital) Limited
  - Legal & General Affordable Homes Limited
  - Legal & General Affordable Homes (SO) LLP
  - Legal & General Affordable Homes (AR) LLP.

ESG AREA	THEME	CRITERIA #	CRITERIA	LGAH DISCLOSURE
Social	T1, Affordability and Security	C1	For properties that are subject to the rent regulation regime, report against one or more Affordability Metric: 1. Rent compared to Median private rental sector (PRS) rent across the Local Authority 2. Rent compared to Local Housing Allowance (LHA).	Affordable Rent is set at a maximum of 80% of Market Rent. When rents increase per Rent Standard annual uplifts, LGAH has imposed caps in some circumstances to prevent rent inflating to a level that it considers unaffordable. Rents are set in line with the S106 agreements and in agreement with the relevant Local Authority.
Social	T1, Affordability and Security	C2	Share, and number, of existing homes (homes completed before the last financial year) allocated to: – General needs (social rent) – Intermediate rent – Affordable rent – Supported Housing – Housing for older people – Low-cost home ownership – Care homes – Private Rented Sector.	Units handed over before 1 Jan 2021: – Social rent = 48 (7%) – Affordable rent = 247 (37%) – Shared Ownership 375 (56%).
Social	T1, Affordability and Security	C3	Share, and number, of new homes (homes that were completed in the last financial year), allocated to: – General needs (social rent), – Intermediate rent – Affordable rent – Supported Housing – Housing for older people – Low-cost home ownership – Care homes – Private Rented Sector.	Units handed over from 1 Jan – 31 Dec 2021: – Social rent = 59 (6%) – Affordable rent = 502 (55%) – London Affordable rent = 9 (1%) – Shared Ownership = 346 (38%).  NB: Includes 20 units which were completed but not transferred to RP ownership as at 31 Dec 2021.
Social	T1, Affordability and Security	C4	How is the housing provider trying to reduce the effect of fuel poverty on its residents?	LGAH is committed to providing good quality, energy efficient homes. 100% of new-build homes and 96% of existing stock have an EPC rating of B or higher. By reducing energy leakage, LGAH is contributing to lowering household energy bills.  Additionally, LGAH provides households with heating advice, and is planning to install smart meters and electric charging points across Land-Led units in the portfolio where possible. Furthermore, by ensuring that rent and services charges do not exceed 35% of net income, as well as supporting customers to access Universal Credit, LGAH is helping to reduce the financial strain households face.
Social	T1, Affordability and Security	C5	What % of rental homes have a 3-year fixed tenancy agreement (or longer)?	100%. LGAH is adhering to good practice by ensuring that customers have tenancy security.

ESG AREA	THEME	CRITERIA #	CRITERIA	LGAH DISCLOSURE
Social	T2, Building Safety and Quality	C6	What % of homes with a gas appliance have an in-date, accredited gas safety check?	100%. LGAH's Gas Safety Policy ensures that gas safety checks are carried out annually and any improvement works conducted accordingly.
Social	T2, Building Safety and Quality	C7	What % of buildings have an in-date and compliant Fire Risk Assessment?	100%. Following LGAH's Fire Safety Management Policy and Fire Safety Strategy, Fire Risk Assessments are undertaken at risk relevant intervals: every 12 months for high-risk buildings, 18 months for medium-risk buildings, and 36 months for low-risk buildings.
Social	T2, Building Safety and Quality	C8	What % of homes meet the national housing quality standard?	100% compliance with Decent Homes Standard. LGAH's Home Standard Policy considers the location, design and build quality of all homes prior to acquisition to ensure all homes are the appropriate size and quality for households.
Social	T3, Resident Voice	C9	What arrangements are in place to enable the residents to hold management to account for provision of services?	LGAH's Complaints Policy mandates that dissatisfied customers are contacted within 2 working hours to discuss the issue, and any formal complaints are investigated and completed within 5 working days. All formal complaint findings are reviewed by the Operations Director to ensure the resolution provided is in keeping with policy. New developments within Brolly (LGAH's IT system) will help to achieve compliance with these timeframes.  LGAH carry out customer move-in surveys when they move into an LGAH home. There is also a pilot program called 'Buddy a Customer' which sets up weekly calls for 6 weeks with customers moving into a new home to get feedback on how they are settling into their new home.  Additionally, RPs gather customer feedback on service provision and implement improvements accordingly. The Board had a Customer Immersion Day on 19 Nov 2021 with 9 customers to allow them to share feedback and for the Board to understand their experiences with LGAH. LGAH's Customer Engagement Policy stipulates that customers remain informed on service provision standards, feedback is gathered and listened to, and that services are evolved accordingly.
Social	T3, Resident Voice	C10	How does the housing provider measure Resident Satisfaction and how has Resident Satisfaction changed over the last three years?	Customer satisfaction is measured by LGAH using Net Promoter Score (NPS) as the key metric. NPS is a management tool used to gauge the loyalty of LGAH's customer relationships. LGAH's NPS for overall customer experience as of 2021 is 55. It is calculated by subtracting the promoters from detractors to give a net promoter Score. Per The Good Economy, any score over 50 is usually considered excellent.  LGAH is also currently conducting a survey across all customers via the Institute of Customer Services. This will be an annual service which is completed to give LGAH a score which can be benchmarked against the UK Customer Satisfaction Index. LGAH hosts a gas servicing survey and repairs survey and has recruited a panel of customers who are used to provide regular feedback to the company.  Customer dissatisfaction is analysed and reviewed by the Board on a regular basis to understand where issues are arising and what is being done to remedy these. It is formally presented to the Board in a detailed report on an annual basis.

ESG AREA	THEME	CRITERIA #	CRITERIA	LGAH DISCLOSURE
Social	T3, Resident Voice	C11	In the last 12 months, how many complaints have been upheld by the Ombudsman? How have these complaints (or others) resulted in change of practice within the Housing Provider?	<p>In the context of 1,339 households in occupation of LGAH housing stock, there have been 17 complaints in total in the last 12 months, none of which were referred to the Housing Ombudsman. 56% of the 17 complaints were linked to delays fixing defects.</p> <p>LGAH meet on a monthly basis with all Management Partners (MPs) to review complaints and agree actions to remedy these issues. For example, a recent complaint which was reviewed at an MP meeting resulted in the cleaning regime at a certain premises moving from weekly to daily.</p> <p>In response to complaints around defects, LGAH is putting in place a process to require the MPs to confirm in advance that the home is ready to be handed over to them, free from defects.</p> <p>A complaints case management system is being launched within Brolly (LGAH's IT system). This has been developed and is currently being tested in Q1 2022. Once complete, this will be launched for internal case management which will provide better insight and user functionality. Complaints are analysed and presented to the Board in a detailed report annually to understand where areas of dissatisfaction are arising and what is being done to remedy them.</p>
Social	T4, Resident Support	C12	What support services does the housing provider offer to its residents? How successful are these services in improving outcomes?	<p>LGAH's contract with its 14 MPs requires that they also refer LGAH customers to services they provide to their other residents. The contract also requires that they must provide a customer-focused service to LGAH customers, providing certainty on their rights and expectations as customers of LGAH.</p> <p>The contracts specifically require MPs to support customers around their finances, including provision of debt advisors, making sure they are collecting their benefits directly and having digital access to their rent accounts.</p> <p>LGAH is also looking into how to most effectively support customers with their bills and financing, though a policy is yet to be formally put in place. All homes come with a Home User Guide which provides key information and advice about their new home and a Welcome Box.</p>
Environmental	T6, Climate Change	C14	Distribution of EPC ratings of existing homes (those completed before the last financial year).	<p>Units handed over before 1 Jan 2021:</p> <ul style="list-style-type: none"> <li>- A = 149 [22%]</li> <li>- B = 464 [69%]</li> <li>- C = 7 [1%]</li> <li>- D = 38 [6%]</li> <li>- E = 12 [2%].</li> </ul> <p>EPCs rated C or higher = 93%.</p>

ESG AREA	THEME	CRITERIA #	CRITERIA	LGAH DISCLOSURE
Environmental	T6, Climate Change	C15	Distribution of EPC ratings of new homes (those completed in the last financial year).	<p>Units handed over from 1 Jan – 31 Dec 2021:</p> <ul style="list-style-type: none"> <li>- A = 16 [2%]</li> <li>- B = 886 [97%]</li> <li>- C = 14 [2%].</li> </ul> <p>*Percentages do not equal 100% due to rounding</p> <p>EPCs rated C or higher = 100%.</p> <p>NB: Includes 20 units which were completed but not transferred to RP ownership as at 31 Dec 2021.</p>
Governance	T9, Structure and Governance	C25	Is the housing provider registered with the national Regulator of Social Housing (RSH)?	Yes. Each entity within the LGAH family of businesses which owns and manages social housing is a Registered Provider of Social Housing.
Governance	T9, Structure and Governance	C26	What is the most recent regulatory grading/status?	Not yet assessed by the RSH.
Governance	T9, Structure and Governance	C27	Which Code of Governance does the housing provider follow, if any?	In 2021, the LGAH Board adopted the 2020 version of the National Housing Federation (NHF) Code of Governance and is working towards full compliance.
Governance	T9, Structure and Governance	C28	Is the housing provider Not-For-Profit? If not, who is the largest shareholder, what is their % of economic ownership and what % of voting rights do they control?	LGAH is a for-profit organisation. LGAH is 100% owned by Legal & General Group plc.
Governance	T9, Structure and Governance	C29	Explain how the housing provider's board manages organisational risks.	<p>The Board membership disclosed here refers to all of the Registered Providers of Social Housing within the LGAH family of businesses where common directorship is maintained. The Board ensures that the company operates within a system of internal control, with business risks identified through a system of continuous monitoring. The Risk Control Framework includes:</p> <ul style="list-style-type: none"> <li>- The Risk and Audit committee.</li> <li>- Risk Appetite Statements</li> <li>- Internal Audit.</li> </ul> <p>The Risk Control Framework is reported annually within LGAH's Financial Statements.</p>
Governance	T10, Board and Trustees	C31	What are the demographics of the board? And how does this compare to the demographics of the housing providers' residents, and the area that they operate in?	<p>The Board has 6 members:</p> <ul style="list-style-type: none"> <li>- 3 independent non-executives</li> <li>- 4 male, 2 female</li> <li>- 0 Black, Asian and Minority Ethnic</li> <li>- Average age 54 years.</li> </ul>
Governance	T10, Board and Trustees	C32	What % of the board AND management team have turned over in the last two years?	30%. The Board has had two new members in the last two years. The Management Team of LGAH Operations has five members, one of whom was new in the period. One of the Management Team is also a member of the Board, so the combined Board and Management Team is populated by 10 individuals.
Governance	T10, Board and Trustees	C33	Is there a maximum tenure for a board member? If so, what is it?	Maximum tenure of nine years, but with an expectation that the maximum would usually be six years (two terms of three years), with terms longer only by exception.
Governance	T10, Board and Trustees	C34	What % of the board are non-executive directors?	Since the RP employs no staff, accordingly 100% of of the board are technically non-executive directors. However, out of the six board members, one is CEO of the LGAH OpCo providing the investment management services to the RPs, and two are from the wider Legal & General business. The other three are non-executive directors who are independent of Legal & General.

ESG AREA	THEME	CRITERIA #	CRITERIA	LGAH DISCLOSURE
Govern- ance	T10, Board and Trustees	C35	Number of board members on the Audit Committee with recent and relevant financial experience.	The Audit Committee contains four members. All members have recent and relevant financial experience. Their experience extends beyond the remit of just financial risk to include experience in direct investments, housing associations, telecoms, utilities and financial services. This reflects the fact that the LGAH Audit Committee's responsibilities also extend beyond financial risk to include areas such as cyber risk, tenancy fraud and reputational risk.
Govern- ance	T10, Board and Trustees	C36	Are there any current executives on the Remuneration Committee?	The RPs employ no staff so remuneration isn't considered by the RP Boards. Remuneration of Investment Manager employees is dealt with by the Board of LGAH OpCo, in alignment with the wider Legal & General Capital approach.
Govern- ance	T10, Board and Trustees	C37	Has a succession plan been provided to the board in the last 12 months?	A succession plan exists and was last reviewed in November 2021.
Govern- ance	T10, Board and Trustees	C38	For how many years has the housing provider's current external audit partner been responsible for auditing the accounts?	KPMG is the auditor responsible for auditing the accounts. KPMG has been the auditor since the start of the business – for the first RP established, this is since its first accounts were submitted in 2019, and KPMG is also the auditor for the new RPs which were incorporated in 2021.
Govern- ance	T10, Board and Trustees	C39	When was the last independently-run, board-effectiveness review?	The Board reviews its effectiveness every year and the RPs must have an external review every 3 years. None have happened yet due to the age of the business, but a review is due this coming year. The consultancy Campbell Tickell also conducted an In-Depth Assessment readiness review in 2021, which offered some insight into Board effectiveness.
Govern- ance	T10, Board and Trustees	C40	Are the roles of the chair of the board and CEO held by two different people?	Yes.
Govern- ance	T10, Board and Trustees	C41	How does the housing provider handle conflicts of interest at the board?	The LGAH Board operate under the L&G Group Plc Director Conflicts of Interest Policy. This policy works to identify and manage conflicts of interest. Additionally, a Conflicts Register is kept up-to-date and a report on conflicts of interest is conducted annually. In addition, in accordance with the Group Conflicts of Interest Policy, each RP Board has approved a Conflicts of Interest Register and a Conflicts of Interest Practice Note.
Govern- ance	T11, Staff Wellbeing	C42	Does the housing provider pay the Real Living Wage?	Yes.
Govern- ance	T11, Staff Wellbeing	C43	What is the gender pay gap?	<p>LGAH is currently part of a wider employing entity, alongside other Legal &amp; General Capital employing entities. In 2020, Legal &amp; General Capital's gender pay gap was:</p> <ul style="list-style-type: none"> <li>– 30.8% at mean level</li> <li>– 26.6% at median level</li> </ul> <p>If this structure changes and LGAH moves to become its own separate employing entity, it may consider calculating and reporting the gender pay gap at LGAH level.</p>

### APPENDIX 3 – LGAH SUSTAINABILITY FRAMEWORK

LGAH's Sustainability Framework sets out how LGAH aims to achieve its vision of enabling residents to live healthy, happy, and sustainable lives. The framework describes LGAH's overarching objectives, alongside a series of KPIs against which progress

will be measured. The table below provides an overview of the framework at the Theme and Objective level. The full list of KPIs has not been included.

THEME	OBJECTIVE
<b>1. Social and Economic Inclusion</b>	1.1 Creating safe, equitable places to live
	1.2 Enabling financially stable lives by making homes affordable
	1.3 Create construction training opportunities in communities in which we are developing, and learning opportunities for our residents
	1.4 Ensuring digital connectivity
	1.5 Enabling social connectivity, community engagement and community place-keeping
	1.6 Support high quality jobs and local businesses in communities where we are developing and operating
	1.7 Deliver affordable and diverse homes that contribute to supporting diverse and inclusive communities and cities
	1.8 Target best practice governance standards and processes within investee companies (our development delivery partners and supply chain)
	1.9 Responsible procurement and supply chain policies for all development businesses
<b>2. Health and Wellbeing</b>	2.1 Design our developments to support high levels of physical, social, mental and emotional benefits for our residents and local communities
	2.2 Model and address risk of current and future overheating risk as part of investment process and for all new developments
	2.3 Understand and remedy overheating problems in existing assets, and use this learning to inform future designs
	2.4 Design for good levels of natural daylight and sunlight
	2.5 Creating good indoor acoustics that protect sleep
	2.6 Design for good indoor air quality
	2.7 Deliver high quality, long-lasting and adaptable homes
<b>3. Environmental Quality</b>	3.1 Plan with Building With Nature Standards
	3.2 Provide food growing spaces
	3.3 Pollinator friendly, local species planting
	3.4 Soft landscape responding to future climate
	3.5 Deliver biodiversity net gain in new developments
	3.6 Manage flood risk in our new developments, considering possible future changes in our climate
<b>4. Travel and Mobility</b>	4.1 Reduce the carbon intensity of travel and increase share of sustainable modes
	4.2 Access to public transport
	4.3 Enable an increase in active travel through new development
	4.4 Secure bike storage
	4.5 Enable a switch away from private fossil-fueled car use by providing electric vehicle car clubs and charging





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