

THE
GOOD
ECONOMY

Triple Point Social Housing REIT Plc Impact Report 2022

March 2023



CONTENTS

EXECUTIVE SUMMARY	4
IMPACT REPORT – HEADLINE RESULTS	6
1 INTRODUCTION	8
About Triple Point Social Housing REIT	8
Market Context	10
This Report	10
Impact Measurement and Management Framework	11
2 IMPACT ASSESSMENT AND RESULTS	12
Social Need	14
Fund Sustainable Developments	17
Increase Supply	20
Quality Services and Partnerships	22
3 CONTRIBUTION TO OUTCOMES	26
Wellbeing	28
Value for Money	30
Impact Risk	32
4 CASE STUDY	34
Howard Cornish Road, Marcham	34
5 CONCLUSIONS AND RECOMMENDATIONS	37
APPENDIX	38
Appendix 1 – Data sources	38
Appendix 2 – SOHO Impact Data	40
Appendix 3 – The Equity Impact Project	42

This report has been commissioned by Triple Point Social Housing REIT plc (“SOHO”) and has been prepared by The Good Economy Partnership Limited (“The Good Economy” and “TGE”), a specialist advisory firm with expertise in impact measurement and management.

The Good Economy supported SOHO in developing its impact assessment methodology and reviews SOHO’s social performance bi-annually. This report is based on analysis of quantitative data and evidence, as well as in-depth interviews with management and staff at SOHO, partner housing associations, care providers, local authorities and an outcomes survey of a sample of residents.

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 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 SOHO 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 SOHO 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.

EXECUTIVE SUMMARY

Triple Point Social Housing REIT Plc (SOHO or the Fund) was launched in 2017 by Triple Point Investment Management LLP. SOHO's mandate is to invest in UK social housing, with a focus on specialised supported housing (SSH). SSH is a form of housing provision which enables individuals with varying care and support needs to live independently in their communities. The Fund aims to increase the provision of high-quality SSH, deliver positive outcomes for residents and provide stable, long-term returns to shareholders.

This is SOHO'S fifth Impact Report. It has been produced by The Good Economy (TGE), an independent impact advisory firm specialising in impact measurement and management.

The report provides an independent assessment of SOHO's impact performance. It covers the period from January to December 2022. As of 31 December 2022, SOHO has invested £602 million in 497 properties, providing homes for up to 3,456 people.

Impact Assessment

TGE assesses SOHO's impact performance according to its stated impact objectives (the areas over which it has direct influence) and the real-world outcomes to which it aims to contribute (which are contingent on many factors).

IMPACT OBJECTIVES

- **Social Need** – SOHO's properties help to meet an important social need, providing much-needed homes for individuals requiring a high level of support in their daily lives. SSH aligns with government policy to prioritise community-based housing, which encourages independence for residents, enshrined in the Transforming Care Programme. As a result, there is significant demand from commissioners for more SSH across the country against the backdrop of a continued lack of supply.
- **Fund Sustainable Developments** – SOHO has now completed the pilot stage of a retrofit programme, which aims to improve energy efficiency across the portfolio by bringing all properties up to a minimum EPC grade C. Currently, 71% of properties meet this standard, a relatively high proportion in the SSH sector where properties are often older buildings which have been repurposed. In terms of quality of homes from the resident perspective, 91% of respondents to a resident survey reported being satisfied with the quality of their home.
- **Increase Supply** – It has been a period of relatively slower growth for SOHO as it deploys its remaining capital, with the Fund's portfolio growing less than 1% during 2022 to a total of 497 properties, comprising 3,456 homes. Nonetheless, since its launch in 2017, SOHO has made a substantial contribution to increasing supply, with 62% of homes defined as new to SSH at the point of acquisition.
- **Quality Services and Partnerships** – During 2022, one more of SOHO's partner Registered Providers (RP) was declared non-compliant with the Regulator of Social Housing's (RSH) Governance and Viability Standard, while another was issued with Enforcement Action. However, the Fund is taking well-defined steps to address the RSH's concerns with the lease-based model – May 2022 saw SOHO receive approval on a set of changes to its investment policy from shareholders to enable it to enter into more flexible leases. In February 2023, SOHO publicly announced its intention to roll out a new risk sharing clause into its existing leases during Q2, 2023 following ongoing consultation with stakeholders, including the RSH. The implementation of the clause is intended to enhance SOHO's RP lessees' compliance with the RSH's standards. This is a positive step, though its true impact will only become evident once these updates are implemented across the portfolio more widely.

OUTCOMES

- **Improve Wellbeing** – A survey conducted with a sample of 60 residents (approximately 2% of portfolio) revealed positive feedback across a range of aspects relating to resident wellbeing. This included 80% of respondents experiencing



improvements in their confidence and independence since moving into their current home, and 71% reporting an improvement in the quality of their support network.

- **Value for Money** – A value for money calculation revealed that SOHO's portfolio delivered £128.4m in Total Social Value in the year to December 2022. This includes £27.4m of Social Impact and £101.0m of Fiscal Savings. Overall, these figures reflect a Social Return on Investment (SROI) ratio of £3.30. This means, for every £1 invested, SOHO generates £3.30 per year in social value over the duration of the investment.

STRENGTHS

- **Rent cap** – SOHO has set a voluntary one-year rent cap of 7% from January 2023. Given most of its leases are linked to CPI, the Fund could charge a higher rate under the terms of the lease as CPI is currently in excess of 10%. The decision to apply this cap ensures the rents align with wider social housing policy (despite the fact SSH is exempt) and provides demonstration of the Fund's commitment to ensuring its rent increases are sustainable in the long-term.
- **Retrofit** – SOHO has now completed the pilot stage of a retrofit programme, which will aim to increase all properties in the portfolio to a minimum EPC grade C. The pilot has been valuable in informing key learnings, which will be incorporated when rolling out the retrofit programme across the wider portfolio.
- **Resident outcomes** – This year's Resident Outcomes Survey revealed very positive results. Residents overwhelmingly reported feeling satisfied with the quality of their home and the support they receive, and many reported marked improvements in relation to their levels of confidence and independence.

POTENTIAL WEAKNESSES AND MITIGATING ACTIONS

- **Addressing RSH concerns** – Nearly four years have passed since the RSH expressed concerns with the level of risk faced by lease-based providers of SSH. This has resulted in 10 of SOHO's 18 partner RPs being declared non-compliant with the RSH's Governance and Viability standards. This year saw the Fund take a positive step towards addressing these concerns, gaining approval from shareholders on a set of changes to its investment policy to enable it to enter into more flexible leases. We would like to see risk sharing in leases updated across the portfolio (including retrospectively) and we note that there are plans for this to take place in Q2, 2023.
- **Rent collection** – Issues with two lessees mean SOHO's rent collection has decreased to 92% of rent due in 2022. This has decreased from being at or very close to 100% in previous years. The Fund must ensure that it works to resolve these two isolated cases. Through conversations with SOHO, we understand this is underway.
- **Lifecycle plans** – SOHO does not currently monitor all lifecycle plans for all properties managed by its partner housing providers. As the portfolio matures, this is important to SOHO's role as a large-scale landlord to ensure its homes remain fit-for-purpose over the length of the lease. The Fund is aiming to introduce this into its due diligence process going forward and to roll it out across its existing portfolio.

IMPACT REPORT – HEADLINE RESULTS AS OF 31 DECEMBER 2022

 **£602 MILLION INVESTED**

IN 497 PROPERTIES



PROVIDING A HOME FOR UP TO 3,456 PEOPLE



 **HOMES ARE MANAGED BY 27 HOUSING PROVIDERS**



RESIDENTS SUPPORTED BY 122 CARE PROVIDERS



49% OF RESIDENTS RECEIVE MORE THAN 50 HOURS OF CARE PER WEEK



FOR EVERY £1 INVESTED, SOHO GENERATES £3.30 IN SOCIAL VALUE PER YEAR OVER THE DURATION OF THE INVESTMENT¹

TRIPLE POINT SOCIAL HOUSING REIT PLC

PROPERTIES ARE LOCATED ACROSS 153 LOCAL AUTHORITIES



75% OF HOMES ARE LOCATED IN THE 40% MOST DEPRIVED LOCAL AUTHORITIES

 **9% OF HOMES FORWARD-FUNDED BY SOHO**



71% OF HOMES HAVE EPC RATINGS OF A-C



62% OF HOMES ARE NEW TO SSH SECTOR AT THE POINT OF ACQUISITION



80% OF RESIDENTS REPORTED AN IMPROVEMENT IN THEIR LEVEL OF INDEPENDENCE SINCE MOVING INTO THEIR CURRENT HOME*

91% OF RESIDENTS REPORTED FEELING SATISFIED WITH THE QUALITY OF THEIR HOME*



¹ We are 90% confidence that the Social Return on Investment (SROI) ratio is between £2.69 and £3.90 (based on the survey findings which underpin this calculation).

*Based on a survey carried out with a sample of 60 residents between January and February 2023.

1 / INTRODUCTION

About Triple Point Social Housing REIT

Triple Point Social Housing REIT (SOHO or the Fund) is a Real Estate Investment Trust (REIT) launched in 2017. The Fund focuses on specialised supported housing (SSH), a form of community housing provision in which homes are built or specially adapted for individuals requiring support in their daily lives.

SOHO raises capital at scale from investors and uses the funds to acquire SSH properties throughout the UK. These properties are then leased to housing providers, most of which are Registered Providers of Social Housing (RPs) to manage on, generally, long-term leases. The Fund acts as the ultimate landlord while the housing providers are responsible for all property maintenance under the terms of a full repairing and insuring (FRI) lease.

This model is designed to provide long-term equity to the social housing sector, unlocking capital constraints to increase the supply of much-needed SSH. Rents are generally paid for through Housing Benefit, collected by housing providers and passed to SOHO. These rental payments fund income returns for SOHO's investors.

SOHO is managed by Triple Point Investment Management LLP, an FCA-regulated investment manager with more than £3.4 billion in assets under management. Triple Point has five investment strategies: Social Housing (under which SOHO sits), Digital Infrastructure, Energy, Private Credit and Venture.



Specialised Supported Housing

SSH is a form of housing provision for people living with a range of care needs, including learning disabilities, physical disabilities and mental health diagnoses. Properties are designed with adaptations so that residents can live as independently as possible in their own home in a community-based setting.

In SSH, residents either have their own self-contained apartment within a larger property, or a room within a shared house. Care packages and tenancy agreements are individualised so residents receive and pay for the support they need. This gives residents greater agency over how their money is spent than they would enjoy in residential care. At the same time, SSH residents usually still benefit from the added security of having 24/7 on-site support staff.

SSH is widely held to offer wellbeing benefits to residents, by encouraging greater independence than would be possible in alternative settings. Independent evidence also suggests that SSH has the potential to generate cost-savings for public budgets compared to alternative settings.²

These types of homes align with government policy to prioritise community-based housing which enables people to live as independently as possible. As a result, there is significant demand across the country among local authority commissioners, who are responsible for commissioning housing and care packages for people requiring support in their area.

Categorisation of Properties

Since the publication of SOHO's last Impact Report, the Regulator of Social Housing (RSH) has raised concerns regarding the categorisation of properties of one of the Fund's partner housing providers. Specifically, the RSH has stated that it lacks assurance that these properties should be categorised as SSH. SOHO is currently undergoing a process to review the classification of these properties (see 'Impact Risk' section for more details). If, on review, these properties are not confirmed as SSH, they would likely be classified as Supported Housing. These homes still provide support for vulnerable adults, however typically to those with a lower level of acuity.

2. Mencap & Housing LIN. Funding supported housing for all: SSH for people with a disability. April 2018.

Market Context

During 2022, macroeconomic conditions have presented difficulties to all sectors, including housing and real estate. As of December 2022, the Consumer Price Index (CPI) was at a historic high of 10.5% in the UK. In response to this inflationary pressure, interest rates have increased repeatedly, with the Bank of England base rate standing at 3.5% at year-end. Global listed real estate share prices declined nearly 20% in 2022, and transaction activity has slowed down across many private markets.³

These conditions conspire to create a challenging environment in which to deploy capital. The cost of capital has increased, as has the price of raw materials, and valuations have become increasingly hard to predict. Globally there was a substantial slowdown in real estate investment year-over-year, as many investors have remained on the sidelines during this period of market volatility.⁴

SOHO's performance in 2022 should be viewed against this backdrop. It has been a period of relatively slower growth for the Fund in terms of deployment, however this is largely to be expected given wider market conditions.

This Report

This is the fifth Impact Report produced for SOHO by The Good Economy (TGE), an independent impact advisory firm specialising in impact measurement and management. This report covers the twelve-month period from January to December 2022.

TGE has worked with the Fund to design an impact measurement and management (IMM) framework. The framework includes a set of impact objectives and target outcomes which articulate the Fund's intention to deliver positive impact. As such, the framework provides the basis for the Fund to measure, manage and report on the impact of its investments (see page 11).

Methodology

TGE's impact assessment is informed by a mix of quantitative and qualitative data. This includes:

- Portfolio data provided by SOHO
- Interviews with SOHO's partners (including housing providers and care providers)
- Interviews with Triple Point Investment Management staff
- Site visits to selected schemes
- A Resident Outcomes Survey conducted with a representative sample of residents

See Appendix 1 for a full breakdown and description of the data sources used to inform the impact assessment contained in this report.

Overall, we take a stakeholder-driven and outcomes-focused approach to assessing the impact of SOHO's investments. This incorporates a focus on residents' lives and aims to align with guidance outlined by the Impact Management Project (IMP).⁵

Impact Measurement and Management Framework

SOHO's impact goal is to increase the provision of high-quality SSH that delivers positive outcomes for people with care and support needs.

Under this overall impact goal, SOHO has established the following set of impact objectives and target outcomes:



SOHO is also continuing to report against the Equity Impact Project (EIP), a sector-wide collaboration project led by The Good Economy and Big Society Capital to develop a common approach to impact reporting for equity investors in the social and affordable housing sector.⁶ Ultimately, this collaborative project aims to drive greater comparability and benchmarking of investors' contribution to positive impact.

SOHO was involved throughout the consultation phase for the EIP and became one of the first investors to disclose according to the framework in its Half-Year Impact Report in September 2022. The Fund is once again disclosing against the EIP in this report (see Appendix 3).

3. Goldman Sachs Asset Management Insights, *The New Macro Realities for Real Estate*, August 2022.

4. CBRE Insights, *Global Investment Declines Sharply in Q4 2022*, February 2023.

5. The IMP is a forum for building global consensus on how to measure, manage and report on impact performance – see <https://impactfrontiers.org/>.

6. In July 2021 The Good Economy and Big Society Capital, on behalf of the Equity Impact Project, published two reports explaining the project's purpose and framework. Both reports are viewable via: <https://thegodeconomy.co.uk/collaborations/the-equity-impact-project>.

2 / IMPACT ASSESSMENT AND RESULTS

In the 12 months to December 2022, SOHO acquired 14 properties, which provide homes for 113 people. This brings the overall portfolio to 497 properties, comprised of 3,456 homes – a relatively slow annual growth rate of 1%.

SOHO's asset management team are close to finalising the pilot phase of a retrofit programme, which will aim to bring all properties up to a minimum EPC rating of C once rolled out across the portfolio.

SOHO has agreed a voluntary one-year 7% rent cap across the portfolio for 2023. This aligns with the UK government's 7% cap on social housing rent increases, even though SSH is exempt from the cap. This demonstrates SOHO acting as a responsible investor, aiming to ensure that its rents remain sustainable and in line with wider social housing sector policy.

In May 2022, SOHO received approval from shareholders on a set of changes to the Fund's investment policy which enables it to enter into more flexible leases with housing providers. This should create a fairer risk-sharing framework between the Fund and its lessees. In February, SOHO also announced its intention to roll out a new risk-sharing clause into its existing leases during Q2, 2023.

OVERALL IMPACT GOAL	PORTFOLIO SUMMARY	DEC 2021	DEC 2022	% CHANGE
Increasing the provision of high-quality supported housing that delivers positive outcomes for people with care and support needs	Value of capital deployed	£590 million	£602 million	+2%
	Number of properties	488	497	+2%
	Number of homes	3,424	3,456	+1%
	Number of local authorities in which properties are located	148	153	+3%
	Number of housing providers	24	27	+13%
	Number of care providers	114	122	+7%

Key Performance Indicators (KPIs) and Targets

IMPACT OBJECTIVE / OUTCOME AREA	IMPACT TARGETS	DEC 2021 RESULTS	DEC 2022 RESULTS	2021-22 % CHANGE	TARGET ON TRACK?
PERFORMANCE AGAINST IMPACT OBJECTIVES					
 SOCIAL NEED	70% of homes in 40% most deprived local authorities	75%	75%	0%	✓
 FUND SUSTAINABLE DEVELOPMENTS	95% of homes are Supported Housing	N/A	96%	-	✓
	80% of homes have an EPC rating of C or higher	72%	71%	-1%	Retrofit programme to improve entire portfolio to EPC grade C is in pilot stage. Negative movement in % homes rated C or higher is due to reassessments and downgrades of existing properties
 INCREASE SUPPLY	25% of homes are new-build	30%	30%	0%	✓
	50% of homes are new SSH at the point of acquisition	61%	62%	+1%	✓
 QUALITY SERVICES AND PARTNERSHIPS	90% of stated CQC ratings of partner care providers are 'Good' or 'Outstanding'	89%	85%	-4%	SOHO marginally below meeting this target. Note CQC data relates to all known ratings for partner providers, rather than just schemes owned by SOHO
CONTRIBUTION TO OUTCOMES					
 IMPROVE WELLBEING	SOHO's contribution to wellbeing outcomes is assessed through a Resident Outcomes Survey. For this report, we carried out a survey with a sample of 60 residents from Jan to Feb 2023. The results showed generally positive and improved results across all areas.				No target ⁷
 VALUE FOR MONEY	£2.50 created in social value for every £1 invested by SOHO over the duration of the investment	£2.74	£3.30	-*	✓

*Assessment of year-on-year change not deemed appropriate as value for money figures are calculated based on relatively small samples which may not be representative of changes/improvements across the wider portfolio during that period.

7. SOHO has not set a target for a wellbeing metric due to its subjective nature. However, SOHO aims to collect feedback on wellbeing through an annual Resident Outcomes Survey as well as regular site visits to selected properties.

IMPACT OBJECTIVE – Social Need

IMPACT OBJECTIVE	IMPACT METRICS	DEC 2021	DEC 2022	% CHANGE
SOCIAL NEED 	Number of homes	3,424	3,456	+1%
	Percentage of homes in the 40% most deprived local authorities (based on the IMD)	75%	75%	No change
	Residents' breakdown of weekly care hours*			
	0 – 19 hours	31%	29%	N/A
	20 – 49 hours	50%	22%	N/A
	50 – 99 hours	8%	21%	N/A
100+ hours	12%	28%	N/A	

*Dec 2021 figures based on a survey sample of 150 residents. Dec 2022 figures based on resident info collected by partner housing providers, covering 1,761 residents (approximately 50% of portfolio). Percentage change year-on-year not calculated due to difference in the nature of the samples on which this information is based.

There is considerable demand from commissioners for SSH across the UK. This is largely driven by government policy – the Transforming Care Agenda – which aims to move individuals out of institutional and residential settings into community-based housing as a more suitable long-term option. This policy is driven by the belief that SSH fosters independence and promotes wellbeing among residents, particularly when compared with alternative settings. Given the large unmet demand for this form of housing provision, it is clear that delivery of SSH helps to meet an important social need.

SOHO's portfolio provides much needed housing for people with an identified need for specialised community-based housing and care. Under the Fund's due diligence, schemes can only progress once they have received confirmation of local authority commissioner support.

The Fund's homes cater for individuals with a diverse range of support needs, including learning disabilities, mental health diagnoses, physical disabilities and a range of other conditions. Approximately half of the Fund's residents receive more than 50 hours of care per week. This broadly reinforces the findings from a previous survey sample which found that SOHO residents receive, on average, 43 hours of care per week.

As of December 2022, SOHO's portfolio has the capacity to provide homes for 3,456 people. This represents overall growth in the number of homes of approximately 1% since December 2021.

Occupancy rates have grown steadily across the portfolio since last year. This means SOHO's overall occupancy rate has continued its trend of increasing each period since we began receiving data in 2020. As of December 2022, most the Fund's properties are at or close to full occupancy.

Some properties within the portfolio do have lower-than-expected levels of occupancy. We have seen evidence to demonstrate in most cases, this is not necessarily a reflection of low demand in an area. Generally, lower occupancy results from specific issues related to the operator and/or residents. This could include, for example, the need to source a new care provider, ongoing works at the property, specific issues with residents preventing additional referrals, or commissioners endorsing a change of client group. Such issues are to be expected within a large portfolio catering for individuals with complex support needs and we understand that the Fund is actively working to address these isolated issues.

For this Impact Report, we gathered detailed information on two schemes, conducting interviews with relevant partners and carried out one site visit. For a scheme in Worcester for individuals with learning disabilities, we were informed that commissioners rate the property very highly and they will always have demand for the homes. We heard that commissioners have inquired with the housing provider about the possibility of creating similar schemes, due to the level of demand for SSH in the area. This would suggest that the Fund's homes meet an important social need, reinforcing our findings from previous Impact Reports and site visits.

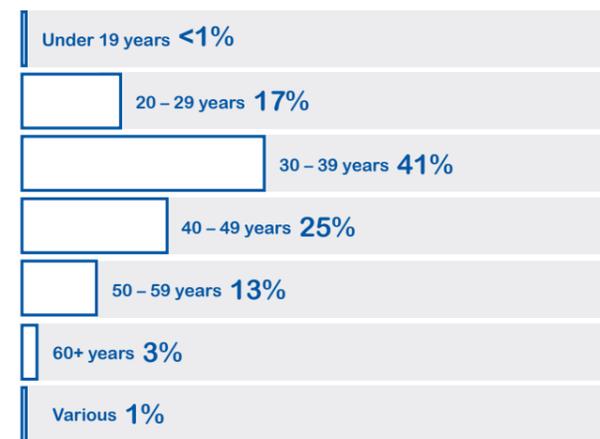
RESIDENT DEMOGRAPHICS

CATEGORY OF CARE NEED



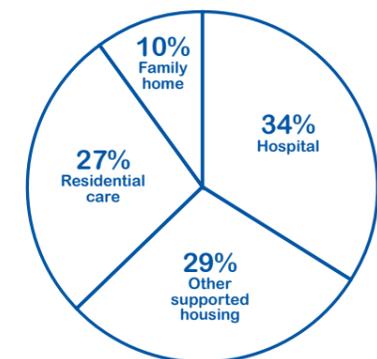
Based on resident info collected by partner housing providers, covering approximately 87% of portfolio.

AGE BREAKDOWN



Based on resident info collected by partner housing providers, covering approximately 55% of portfolio.

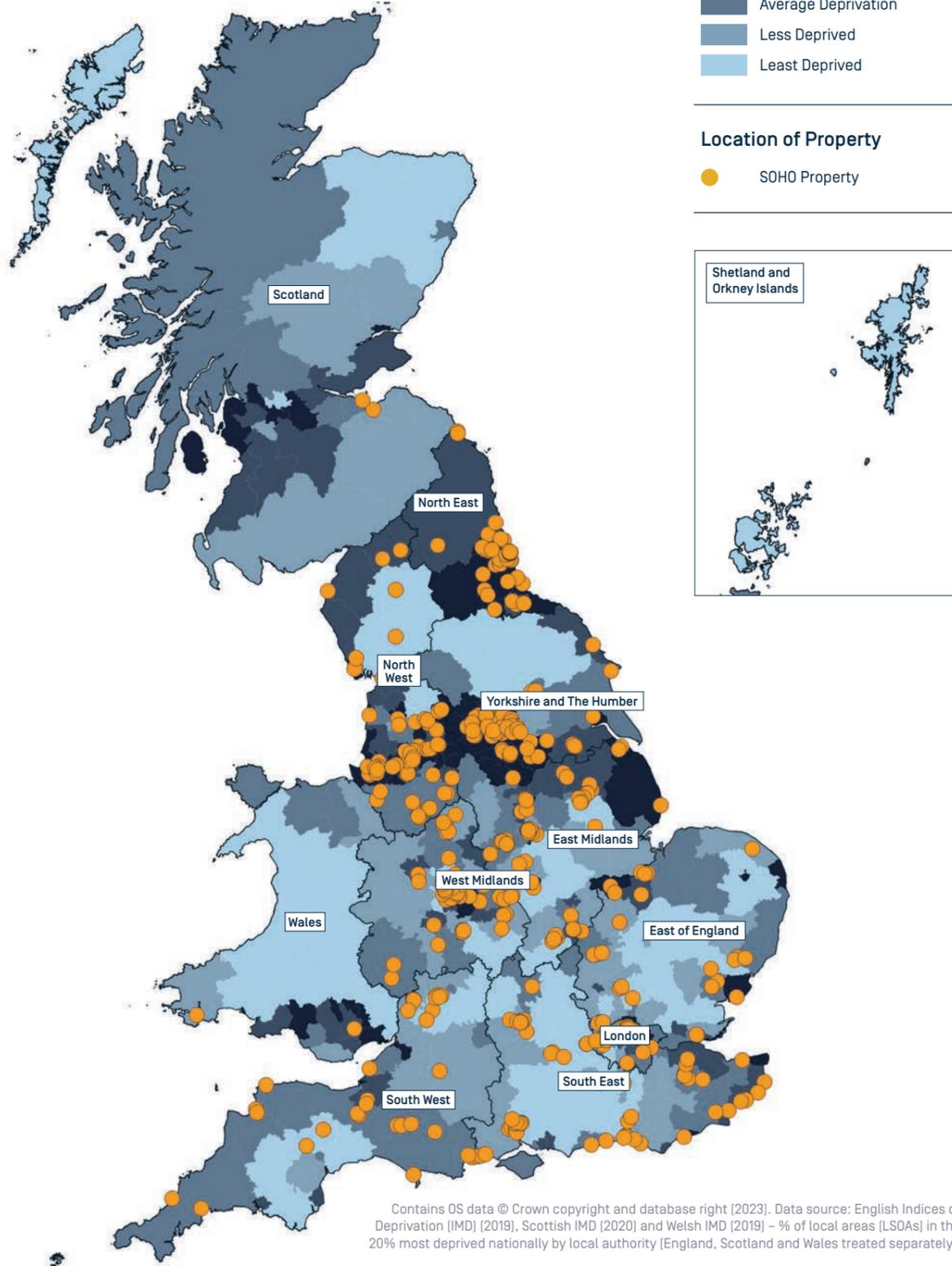
PREVIOUS ACCOMMODATION



Based on resident survey sample of 60 residents.

The homes in SOHO's portfolio are located in 153 local authorities across the UK. 75% of the Fund's homes are in the 40% most deprived local authorities.

In the last 12 months, SOHO has acquired 14 properties. Of these acquisitions, 12 (86%) are located in the 40% most deprived local authorities.



Contains OS data © Crown copyright and database right (2023). Data source: English Indices of Deprivation (IMD) (2019), Scottish IMD (2020) and Welsh IMD (2019) – % of local areas (LSOAs) in the 20% most deprived nationally by local authority (England, Scotland and Wales treated separately).

Index of Multiple Deprivation

- Most Deprived
- Deprived
- Average Deprivation
- Less Deprived
- Least Deprived

Location of Property

- SOHO Property

IMPACT OBJECTIVE – Fund Sustainable Developments

IMPACT OBJECTIVE	IMPACT METRICS	DEC 2021	DEC 2022	% CHANGE
FUND SUSTAINABLE DEVELOPMENTS 	Percentage of homes with EPC rating A-C	72%	71%	-1%
	Percentage of homes with EPC rating A-E	100%	99.8%	-0.2%
	Percentage of residents satisfied with the quality of their home*	86%	91%	+5%
	Breakdown of total homes by housing type			
	Specialised supported housing	N/A	89%	-
	Supported housing	N/A	7%	-
	Registered care or Children's services	N/A	4%	-

*Based on Resident Outcomes Surveys conducted for each year's Impact Report. For Dec 2021, this is based on a sample of 150 residents, and for Dec 2022 this is based on a sample of 60 residents.

Environmental Sustainability

SOHO aims to improve the environmental performance of its portfolio and is incorporating environmental considerations into its investment strategy.

Under the Fund's investment policy, all refurbished properties must have a minimum EPC C rating and all new-build properties must be rated B or above (or those grades must be achieved as part of works at acquisition). The policy was launched in 2020 and has delivered clear improvements in EPC grades, with the percentage of homes rated A to C rising from 59% in March 2020 to 71% in December 2022. These homes meet the target stated in the government's Clean Growth Strategy, for all homes to meet a minimum EPC grade C by 2035.

During 2022, however, the percentage of homes with an EPC rating of A to C has decreased from 72% to 71%. This is due to reassessments and downgrades of existing stock. Despite this minor negative movement in the last 12 months, 71% is still a relatively high proportion of homes with an EPC rating of A to C. This performance should also be contextualised, since the SSH sector often repurposes older properties rather than funding new build properties. Benchmarked against all housing, SOHO's portfolio performs favourably – the average energy efficiency of all dwellings in England and Wales is an EPC D.⁸

The percentage of properties with an EPC rating of A to E has also decreased from 100% to 99.8% during 2022. This is due to an existing property being downgraded from an EPC D to a combination of F and G ratings. These properties must be upgraded to ensure they meet the government's minimum energy efficiency standard (MEES) of an EPC E. They will be within scope of the retrofit programme and therefore will be targeted by the Fund for works to improve their performance.

 **SOHO continues to move ahead with its retrofit programme, which aims to improve the energy efficiency of all homes to at least an EPC C.**

SOHO has now completed the pilot stage of the retrofit programme, involving 12 properties in the Southeast of England. The Fund is currently seeking a contractor to partner with for the full programme and is costing the works, which will be paid for through capital expenditure from SOHO alongside available grant funding. Following the pilot, this programme will be rolled out across the rest of the portfolio. A key priority for SOHO during the pilot has been aiming to minimise disruption to residents, particularly given their specific needs and support requirements. This learning will be incorporated into the rollout of the wider retrofit programme.

8. Office for National Statistics, Energy efficiency of housing in England and Wales: 2022.



Quality of Homes

Based on a survey of residents, 91% reported that they were satisfied with the quality of their home.

This is an improvement from the results of the last survey, when 86% reported feeling satisfied with the quality of their home. It is also marginally above the national average across all housing, with 89% of adults in England saying that they were satisfied with the quality of their accommodation in 2020-21.⁹

We believe the Fund has continued to invest in good quality homes, and has put appropriate policies in place to ensure consistent standards as the portfolio expands.

SOHO is currently finalising its set of updated Employer's Requirements for refurbished properties (i.e. not for new-builds) which will replace its existing standard guidance. This is a document which provides a highly detailed description of the Fund's building specification requirements, to be used during initial engagement with developers. SOHO's aim is for these requirements to build on the standards previously in place and provide a blueprint for its homes to be designed to ensure healthy, happy lives for residents and to ensure they meet their specific needs.

Once finalised, the requirements are likely to include, for example:

- Adherence to industry specified design principles
- Design requirements taking into account, including but not limited to staff areas, communal spaces, accessibility, gardens and external spaces, external signage etc
- Technical requirements including but not limited to building fabric, roofs, external walls, windows, floors, ceilings, walls, kitchens and bathrooms, M&E, heating and electrics
- Handover Requirements including snagging, defects and compliance.

In relation to ongoing monitoring of properties, SOHO has a Housing Team consisting of 24 people. SOHO's surveyors are responsible for undertaking routine property inspections. Now that the portfolio is maturing, having previously sought to visit all properties every two years, going forward a more targeted approach will be taken to property inspections. Property inspections will be focused on strategic objectives such as the retrofit programme or enhancing the performance of a specific lessee, and in addition all properties in the portfolio will be visited a minimum of once every five years.

Property inspections are complemented by quarterly operational surveys and biannual compliance surveys which are collected from all the Fund's partner housing providers. SOHO has recently broadened the compliance information it requests to incorporate additional governance and performance information. As of December 2022, compliance surveys showed that 96% of occupied properties are compliant across all mandatory areas. In some instances, providers did not respond to all questions. Where this is the case, non-compliance has been assumed and the Fund is following up with the relevant provider to seek assurance that the point of non-compliance is being addressed.

Lifecycle planning identifies and monitors the costs associated with managing assets so they remain fit-for-purpose over the length of any given lease. SOHO does not currently monitor the lifecycle plans of its housing provider partners in relation to all of the properties owned by the Fund. However, now that the fund is maturing, it is aiming to roll this out across the existing portfolio and to introduce it into the due diligence process going forward.



9. Office for National Statistics, English housing survey data on attitudes and satisfaction, July 2022.

IMPACT OBJECTIVE – Increase Supply

IMPACT OBJECTIVE	IMPACT METRICS	DEC 2021	DEC 2022	% CHANGE
INCREASE SUPPLY 	Number of properties	488	497	+2%
	Number of homes	3,424	3,456	+1%
	Percentage of homes defined as 'new' to SSH	61%	62%	+1%
	Percentage of homes forward-funded by SOHO	9%	9%	No change
	Breakdown of homes by Condition of Stock¹⁰			
	Adapted	61%	61%	No change
New-build	30%	30%	No change	
Purpose-built	9%	9%	No change	

SOHO's portfolio has continued to grow, with the addition of 14 properties, consisting of 113 homes, in the 12-month period to December 2022.

This brings the total portfolio size to 497 properties and 3,456 homes, representing an annual growth rate of less than 1% in terms of overall capacity. The Fund acquired 14 properties through the year but it also sold five, leaving a net gain of nine properties, and 32 homes [see 'Responsible Exits' box in [SOHO's 2022 Half-Year Impact Report](#) for more details]. Where occupied properties were sold, SOHO's priority was to ensure that service provision continued and residents were unaffected. It is envisaged that the funds from these sales will be re-invested by SOHO to further increase the supply of SSH in the future.

This rate of portfolio growth is low relative to previous years (1% in 2022 vs 10% in 2021, and 15% in 2020). To an extent, this has been caused by the challenging macroeconomic environment SOHO is operating within. In response, the Fund has intentionally slowed down its deployment – currently, it is only deploying capital to schemes which are deemed to be of strategic importance given the amount of capital which is remaining to be deployed. This could include, for example, schemes where the lease includes new, more flexible terms and/or leases to new partner housing providers.

Despite this lower rate of growth, SOHO remains a substantial investor in the sector, and is one of the UK's largest SSH landlords.

Across, the entire portfolio, 62% of homes are defined as 'new' to SSH at the point of acquisition. We assess this to be a high proportion of homes which are new to SSH. These properties provide the most tangible demonstration of the Fund contributing to increasing the supply of SSH. Through these acquisitions, SOHO's funding helps to facilitate the creation of SSH which did not previously exist.

Furthermore, 9% of SOHO's homes have been forward-funded. This is when SOHO finances the development of a new-build scheme rather than purchasing the scheme once it is complete. This provides benefit as SOHO effectively de-risks the market risk for developers who as a result are more likely to take on the construction risk, where they otherwise may not. Forward-funding generates a high level of additionality but there is a limit to how many schemes SOHO can forward-fund at one time.

10. 'Condition of Stock' refers to the condition of the property during the last 10 years. This means:
 – An adapted property was adapted from an alternative use to SSH in the last 10 years
 – A new-build property was constructed or fully renovated as SSH in the last 10 years at the point of acquisition
 – A purpose-built property was specifically designed for a care purpose, not necessarily SSH, but was not constructed in the last 10 years at the point of acquisition.



IMPACT OBJECTIVE – Quality Services and Partnerships

IMPACT OBJECTIVE	IMPACT METRICS	DEC 2021	DEC 2022	% CHANGE	
QUALITY SERVICES AND PARTNERSHIPS 	Number of partner housing providers	24	27	+13%	
	Of which are Registered Providers (RPs), regulated by the RSH	16	18	+13%	
	Of which are care providers or housing managers, not regulated by the RSH	8	9	+13%	
	Number of partner housing providers declared non-compliant with the RSH's governance and viability standards	9	10	+11%	
	Number of partner care providers	114	122	+7%	
	CQC ratings of partner care providers who have been inspected*				
	Outstanding	4%	3%	-1%	
	Good	85%	82%	-3%	
	Requires Improvement	10%	14%	+4%	
Inadequate	1%	1%	No change		

*Breakdown of providers with individual and multiple CQC ratings.

For SOHO to maximise the positive impact of its homes, it is essential that the Fund forms partnerships with housing and care providers that deliver a high standard of service to residents.

Housing Providers

Partner Selection and Monitoring

TGE has viewed and inputted into the due diligence process that SOHO undertakes when selecting housing provider partners. This process requires a detailed organisational review including detailed discussions with management, assessment of regulatory compliance and risk, and a review of operational factors such as occupancy and voids, rent collection and arrears, compliance and health and safety, and customer satisfaction and complaints.

In terms of ongoing monitoring, SOHO's asset management team undertake routine property inspections, and receive quarterly financial, operational and compliance surveys from all housing providers. The Fund also conducts regular meetings with senior management teams of its housing providers, as well as having ad-hoc interactions if issues arise.

SOHO also receives and analyses most housing providers' management accounts on a regular basis. This includes seven housing providers that each represent 5% or more of the Fund's rent roll. Of those seven providers, we have heard from SOHO that most of their latest management accounts showed an improvement in net profitability, despite the challenging macroeconomic environment they are operating within.

SOHO currently has leases with 27 housing providers. This includes leases signed with three new partners during 2022 – YMCA North Tyneside, Prime Calibre Care and YMCA Derbyshire.

Across SOHO's portfolio, housing provider partners are on average 17 years old.

Regulation

Of the Fund's 27 partner housing providers, 18 are RPs regulated by the Regulator of Social Housing (RSH). These organisations manage 94% of the Fund's properties.

The Fund's remaining nine partner housing providers are not RPs and therefore are not overseen by the RSH. They cumulatively manage 6% of the Fund's properties. Of these organisations:

- Five are care providers, regulated by the Care Quality Commission
- Two provide children's services, regulated by Ofsted
- Two are Community Interest Groups or charities, not subject to specialist care or housing regulation.

Among SOHO's 18 RP partners, 10 have been declared non-compliant with the RSH's governance and viability standards. This includes Highstone Housing Association, which has been issued with a Regulatory Notice in the last 12 months, while My Space Housing Solutions has been downgraded to G4/V4 and issued with Enforcement Action by the RSH (see 'Impact Risk' section for more details). Generally, these instances of non-compliance stem from the RSH's concern at the level of risk incurred by RPs who have signed long-term leases.¹¹

We acknowledge the RSH's concerns with the model, and the increased likelihood that providers in the SSH sector which focus on growing the portfolio of properties they manage through long leases, will be declared non-compliant by the RSH. In addition, there have been instances where governance failures have increased the risks of signing long-term leases to the viability of some RPs. However, we ultimately still believe that the model can have a positive impact when implemented appropriately, with robust governance standards and a detailed level of due diligence and appraisal of risk from both the lessor and the lessee.

SOHO's Response

It is our understanding that SOHO is taking well-defined steps to safeguard and improve the long-term sustainability of the model. Following proactive engagement with the RSH, the Fund has updated its investment policy to facilitate the introduction of more flexible leases.

The approved changes are:

- The removal of minimum lease term restrictions
- Enabling the Fund to selectively take on more risk in asset lifecycle maintenance
- Allowing more flexibility in how rent increases change over time, to reflect either inflation or central Housing Benefit policy.

SOHO's management team emphasised that it has been a strategic objective during 2022 to take meaningful steps to address the RSH's concerns with the long-lease model. This has been the primary motivation in implementing these changes which should lead to a fairer risk-sharing framework between the Fund and its lessees. We have also heard from SOHO that the governance standards and financial strength of most of its partner RPs is generally improving.

However, we recognise that it is nearly four years since the RSH published its addendum outlining its concerns with lease-based providers of SSH. We think SOHO is taking necessary steps in response, though these changes are being implemented slowly. It has taken time for SOHO to make the required changes to its investment policy to allow the Fund to engage with its RP lessees to allow them to address some of the RSH's concerns. Now that this has happened, the Fund is in a position to both update its future lease agreements and amend its existing leases to address some of the concerns raised by the RSH. SOHO, in conjunction with a group of RP partners, has developed a new clause that it is planning to include in its existing leases which will address concerns about the balance of risk share between the Fund and its RP lessees. We understand that SOHO has consulted with its key stakeholders including valuers and lenders and has publicly stated its intention to roll the clause out across its portfolio of leases (i.e. including retrospectively) in the second quarter of 2023.

¹¹ RSH, Lease-based providers of specialised supported housing, April 2019.

Care Providers

A total of 122 care providers are responsible for delivering support services to residents living in SOHO's properties.¹² Among these providers, 85% of known Care Quality Commission (CQC) ratings are 'Good' or 'Outstanding'.

This is marginally below average for England as a whole – in 2022, 87% of domiciliary care agencies were rated 'Good' or 'Outstanding'.¹³ It also represents a decrease for SOHO from 89% as of December 2021. However, it is worth noting that there has been a decrease in the overall number of CQC ratings available on the CQC website. This makes providers' performance harder to gauge. Also, care providers in SSH do not receive a rating at the individual property level, but are instead rated on a local or regional basis. This breakdown of CQC ratings therefore reflects the performance of all schemes operated by a care provider, not just those owned by SOHO.

Nonetheless, in our recent Half-Year Impact Report for SOHO, we recommended that the Fund should look to engage with those care providers who have received sub-standard ratings. Whilst SOHO is not in control of the CQC re-evaluation process, where there are any changes to a care providers' rating, the Fund reviews the CQC report and engages to discuss and understand the action plan they have put in place.



¹². SOHO technically has no legal relationship with these organisations, unless the care provider is also the lessee, and provides both housing and care services – this is the case for approximately 11% of the Fund's units.

¹³. CQC, [The state of health care and adult social care in England 2021/22](#).

3 / CONTRIBUTION TO OUTCOMES

This section assesses the change in outcomes experienced by SOHO’s key stakeholders – the residents living in its homes as well as central government and local authorities.

These outcomes are influenced by many factors, including those which are beyond SOHO’s control. Therefore, the Fund’s activities only contribute in part. Nonetheless, it is important to assess outcomes since they provide insight into the ultimate real-world impact that SOHO is contributing towards.

TGE and SOHO identified two main target outcomes for the Fund:

- + Improve resident wellbeing
- + Provide value for money.

The table below categorises these outcomes according to the Impact Management Project’s (IMP) dimensions of impact. This is a standardised and widely recognised approach to impact measurement in which impact is categorised according to five core dimensions: What, Who, How Much, Contribution, and Risk.

IMP DIMENSION		OUTCOME 1: IMPROVE RESIDENT WELLBEING	OUTCOME 2: PROVIDE VALUE FOR MONEY
WHAT impact is SOHO having?		Change in residents’ physical and/or mental wellbeing	Value for money for public budgets through delivering cost-effective solution to housing individuals with care needs
WHO is experiencing the impact?		Residents with relatively high support needs	Local authorities / Central government
HOW MUCH impact is SOHO creating?	Scale	Large scale – 3,456 homes as of December 2022	Large scale – 3,456 homes as of December 2022
	Depth	Depends on degree of change in wellbeing	Depends on differential between cost of SOHO property and likely alternative setting
	Duration	Likely long-term – SSH generally intended to provide a long-term home for residents	Likely long term – average 20-year leases with SSH generally intended to provide long-term home for residents
What is SOHO’s CONTRIBUTION to what would likely happen anyway?		SSH is widely held to benefit residents with care needs. Therefore, resident wellbeing is likely better than what would have occurred without availability of SOHO property	SSH is generally held to offer a cost-effective housing solution compared to residential care and particularly inpatient facilities. Therefore, health and social care costs for public budgets is likely better than would have occurred without SOHO funding
What is the RISK of the impact not happening?		<p>Execution / stakeholder participation risks:</p> <ul style="list-style-type: none"> – Homes do not meet residents needs as effectively as hoped – Housing and/or care providers do not deliver sufficiently high quality services <p>Alignment risk:</p> <ul style="list-style-type: none"> – Long-term, inflation-linked leases may lead to housing providers struggling to provide a high level of service over the long term due to the relatively small margins generated on a per-unit basis 	<p>Efficiency risk:</p> <ul style="list-style-type: none"> – Social care cost associated with SOHO homes turns out to be more expensive than alternative housing options – Homes have been inappropriately classified as SSH, and therefore do not meet relevant definitions to be eligible for exempt status

CLASSIFYING THE IMPACT OF SOHO’S INVESTMENTS



The ABC is a form of impact classification which was designed by the Impact Management Project (IMP). It is a system which allows investors to classify the impact of their assets in a consistent and transparent manner. Under the system, assets are classified into one of the following categories:

- Does Cause Harm
- May Cause Harm
- Act to Avoid Harm
- Benefit Stakeholders
- Contribute to Solutions.

Based on the Fund’s properties providing housing for a vulnerable population in need of support who may otherwise be underserved (i.e. lacking access to appropriate housing which meets their needs) we would assess SOHO’s activities as ‘Contributing to Solutions’.

However, we do recognise that this report highlights a number of risks that currently exist based on the model of the Fund. In particular, as previously discussed in this report, it is nearly four years since the RSH published its risk profile addendum outlining its concerns with lease-based providers of SSH. There has been no material change in the RSH’s view since 2019 and now ~75% of SOHO’s homes are managed by RPs that the RSH has declared non-compliant with the governance and viability standard. Such issues could eventually affect an RP’s ability to deliver services to residents effectively, and therefore there is a risk of causing harm to the Fund’s intended beneficiaries.

SOHO is aware of these risks and has regular conversations with the RSH. To mitigate the risks to residents, the Fund will typically look to implement a change in lessee in a situation in which an RP runs into financial difficulties. This option is currently being explored in relation to SOHO’s properties with My Space. In addition, SOHO has demonstrated its commitment to protecting residents in a proactive manner, providing evidence of focused site visits to ensure resident safety and wellbeing in a timely fashion following an indication that an RP was facing financial hardship.

To further mitigate this risk, SOHO has also approved an updated lease agreement and has committed to begin the rollout of this clause in Q2 2023. In order to continue its mitigating actions, and to prevent a downgrade in classification, we want to see the rollout of new lease clauses continue across the SOHO portfolio - both retrospectively and on new homes entering the portfolio - over the coming 12 months. We will continue to monitor the regulator and RP sentiment towards SOHO’s updated leases so that we can understand the RSH’s view of these changes, and the extent to which they address its concerns.

TARGET OUTCOME – Wellbeing

TARGET OUTCOME	IMPACT METRICS	DEC 2022
 <p>IMPROVE WELLBEING</p>	Percentage of residents who identified an improvement in the following areas between their previous accommodation and their current SOHO-owned home*	
	Physical health	62%
	Social connections	36%
	Support network	71%
	Confidence	80%
	Independence	80%

*Based on a Resident Outcomes Survey conducted with a sample of 60 residents between January and February 2023.

A core element of SOHO's intended impact is to deliver positive wellbeing outcomes for the individuals living in its homes.

Survey Sample

To assess SOHO's contribution to this outcome, we conduct an annual Resident Outcomes Survey. For this report, we conducted a survey between January and February 2023, collecting responses from 60 residents. This sample includes residents living in homes managed by six housing providers, and with support services delivered by five care providers.

This year's sample was small relative to previous years, representing approximately 2% of the portfolio. This was owing to some difficulties gaining access to care providers, on whom we are dependent to assist in getting residents to complete the surveys. This is a challenge to be expected when gathering feedback from a vulnerable population, particularly as the Fund is several steps removed from those target beneficiaries, and its portfolio is large and disbursed throughout the country.

Nonetheless, since we began working with SOHO in 2020, we have conducted three rounds of resident surveys. In that time, we have gathered feedback from 270 residents (representing approximately 8% of the total portfolio size as of December 2022).

Methodology

Within the survey, residents were asked to provide feedback on five key areas, relating to their physical and mental wellbeing:

- Physical health
- Social connections to others
- Support network
- Confidence
- Independence.

Questions are structured in a way to provide insight on the impact that a resident's home has had on these aspects of their wellbeing. This is achieved through asking residents how they feel in relation to each outcome in their current home, vs how they had felt in their previous accommodation. This provides an indication as to the 'distance travelled' in relation to these outcomes since moving into their current home.

Results¹⁴

Overall, this year's Resident Outcomes Survey revealed very positive results. Residents reported particularly marked improvements in their confidence levels and feelings of independence since moving into their current SOHO home.

» PHYSICAL HEALTH

74% of respondents reported being satisfied with their level of physical health in their current home.

Between their previous accommodation and their current home:

- + 62% reported an improvement in their physical health
- + 33% reported no change
- + 5% reported a negative change.

» SOCIAL CONNECTIONS TO OTHERS

73% of respondents are in contact with their family and friends at least two to three times per week in their current home.

Between their previous accommodation and their current home:

- + 36% reported an improvement in their social connections
- + 56% reported no change
- + 7% reported a negative change.

» SUPPORT NETWORK

97% of respondents reported being satisfied that when they need help in their current home, there are people there to provide support.

Between their previous accommodation and their current home:

- + 71% reported an improvement in their support network
- + 29% reported no change
- + 0% reported a negative change.

» CONFIDENCE

88% of respondents reported being satisfied with their level of confidence in their current home.

Between their previous accommodation and their current home:

- + 80% reported an improvement in their level of confidence
- + 17% reported no change
- + 4% reported a negative change.

» INDEPENDENCE

89% of respondents reported being satisfied with their level of independence in their current home.

Between their previous accommodation and their current home:

- + 80% reported an improvement in their level of independence
- + 18% reported no change
- + 2% reported a negative change.

What residents had to say:

- » I like my new home. I can do things in the kitchen myself and with support.
- » I really like living here. I do activities of my choice and go to groups, I feel very confident once I've been to these groups and have made friends, previously I never did anything.
- » I really enjoy home now. I am happy, healthy and independent.
- » I feel very happy, and very welcomed here. The staff and tenants are brilliant.

14. Where percentages do not equal 100%, this is due to rounding.

TARGET OUTCOME – Value for Money

TARGET OUTCOME	IMPACT METRICS	DEC 2022
 <p>VALUE FOR MONEY</p>	Total Social Value	£128.4m
	Social Impact – the value of improved outcomes for residents	£27.4m
	Fiscal Savings – the savings generated for public budgets	£101.0m
	Social Return on Investment – the social value generated per year for every £1 invested by SOHO over the duration of the investment	£3.30

On an annual basis, we carry out an assessment of the contribution of SOHO’s portfolio to delivering value for money for public budgets.

This is grounded in the assumption that SSH can provide a cost-effective solution to housing individuals with complex support needs, vs alternative forms of accommodation.¹⁵ It is also based on the assumption that there is social value in relation to improved resident outcomes, which they may experience through living in high-quality SSH which meets their needs.

Social Value Calculation Methodology

The methodology used to calculate these figures has been developed by TGE in partnership with Simetrica-Jacobs, who are specialists in social value analysis and wellbeing research.

Simetrica-Jacobs derived the monetisation values using the Wellbeing Valuation methodology, as endorsed in HM Treasury Green Book and associated guidance. Wellbeing Valuation makes use of large existing datasets (in this case Understanding Society) to establish the impact of the outcomes of interest on an individual’s wellbeing, as measured by their life satisfaction.

This is done using multivariate regression analysis including a range of control variables in line with Fujiwara and Campbell (2011).¹⁶ Where the data allows, fixed effects regressions are used that exploit the panel structure of the dataset. These estimates are considered alongside existing research on the impact of money on wellbeing, drawing on Fujiwara (2013),¹⁷ to derive an estimate of the value of the outcome.

The social value calculation is comprised of two elements:

- + **Social Impact** – the value of improved personal outcomes for residents resulting from improved wellbeing, health, confidence and aspirations.
- + **Fiscal Savings** – the savings generated for public budgets by residents moving into SOHO-owned homes from more costly alternative settings.

Both the Social Impact and Fiscal Savings components are based on the answers provided by residents through a Resident Outcomes Survey. This years’ survey was completed with a sample of 60 residents.

- + The **Social Impact** figure is calculated by using financial proxies to place a monetary value on the change in wellbeing outcomes reported by residents comparing their previous accommodation and their current SOHO-owned home.
- + The **Fiscal Savings** figure is calculated by estimating the cost to public budgets of housing people in their current SOHO home and comparing this figure with the estimated cost of housing them in their previous accommodation.
- + The Social Impact and Fiscal Savings figures produced are then extrapolated from the sample size to the total SOHO portfolio (occupied units). These figures are then added together to produce an estimate for the **Total Social Value** for the SOHO portfolio.

RESULTS (AS OF DECEMBER 2022)

The results reveal that the SOHO portfolio delivered **£128.4m of Total Social Value** in the year to December 2022.

This is divided into:

- + £27.4m of Social Impact
- + £101.0m of Fiscal Savings

This results in SOHO delivering a Social Return on Investment (SROI) ratio of £3.30. This means that, for every £1 invested by SOHO, the Fund will generate £3.30 in social value per year over the duration of the investment (based on the current portfolio of homes).

This year, we have introduced confidence intervals into this calculation for the first time. This aims to account for the fact that the social value calculation is based on survey samples, which represent a relatively small proportion of the overall portfolio. Based on the survey findings which underpin this calculation, we are 90% confident that the SROI ratio is between £2.69 and £3.90.

RENT INCREASES

For 2023, SOHO has decided to apply a voluntary temporary one-year rent cap of 7% to its leases. This aims to account for the high inflationary environment in the UK (10.1% in Jan 2023), which housing providers are facing. SSH is technically excluded from the UK government’s 7% rent cap on social housing rent increases. Nonetheless, SOHO’s decision to cap its rents at 7% is consistent with this policy and is supportive of its RP lessees. It is also consistent with the Fund’s highest historical weighted average annual rental growth rate, which was 6.7% for the year 2022.

The majority (93%) of SOHO’s leases are linked to CPI and therefore the Fund could charge a higher rate under the terms of the lease. The decision to cap rents at 7% provides evidence of SOHO attempting to ensure that its rent increases remain sustainable, and in line with wider social housing sector policy. We have heard from SOHO that lenders were generally supportive of the move.

15. Mencap & Housing LIN, ‘Funding supported housing for all: SSH for people with a learning disability’, April 2018.
 16. Fujiwara, D., Campbell, R., 2011. Valuation Techniques for Social Cost-Benefit Analysis: Stated Preference, Revealed Preference and Subjective Well-Being Approaches. A Discussion of the Current Issues. HM Treasury, London, UK.
 17. Fujiwara, D., 2013. A General Method for Valuing Non-Market Goods Using Wellbeing Data: Three-Stage Wellbeing Valuation. CEP Discussion Paper 1233 HCA, 2014. Additivity Guide: 4th Edition.

Impact Risk

Impact risk is the likelihood that impact will differ from expectations, and that the difference will be material for those being impacted.

On an annual basis, we analyse the potential impact risks relating to SOHO using the [IMP's impact risk assessment framework](#). Under this framework, the IMP identifies nine types of impact risk that enterprises and investors may face. We classify four categories of risk as potentially material to SOHO.

IMPACT RISK CATEGORY	RISK DESCRIPTION	SOHO RISK MITIGATION STRATEGIES
<p>Execution risk</p> <p>The probability that the activities are not delivered as planned and do not result in the desired outcomes</p>	<p>The RSH has continued to highlight concerns with the level of risk faced by some RPs engaging in long leases. These RPs are often small, specialist organisations who have grown quickly to meet high levels of demand for SSH. With this growth through long leases, there have been numerous cases in which the RSH has found RPs to have inappropriate governance and risk management practices. This has resulted in many lease-based providers of SSH being declared non-compliant with the RSH's Governance and Viability Requirements. For SOHO, 10 of its 18 RP partners have been declared non-compliant. These RPs manage 79% of the Fund's units.</p> <p>In January 2023, one of SOHO's partner RPs, My Space, was also issued with Enforcement Action by the RSH. This is a result of what the RSH ruled a "serious and recurrent" case of non-compliance, concerns over potential conflicts of interest, and failure to provide assurance on its financial obligations.</p> <p>My Space is also one of two SOHO providers (alongside Parasol Homes) in material rent arrears. This means SOHO's rent collection rates have decreased from 99.8% in Dec 2021 to 91.7% in Dec 2022. We assess this to present a risk since rent collection is a core part of a housing providers' responsibilities, and therefore it raises concerns about its' ability to provide high-quality services.</p> <p>We categorise SOHO's level of risk in this area as High.</p>	<p>SOHO thoroughly reviews all potential new lessees during its due diligence process. Detailed analysis covers rent policies, risk appraisal, management capacity, accountancy capabilities and a range of operational factors reviewing service delivery to residents, including assessing their performance against key operational KPIs across the rest of their portfolio.</p> <p>Once properties have been acquired, SOHO's asset management team monitors the safety and quality of the Fund's homes. This includes receiving quarterly compliance data from all housing providers, showing the extent to which they are keeping up with their property management requirements under the terms of the full repairing and insuring (FRI) lease.</p> <p>In relation to My Space, SOHO is pursuing a policy of active engagement, requiring evidence that properties are being well-managed and there is a clear financial plan in terms of rent receipts.</p> <p>SOHO has also stated that it is considering moving properties away from My Space, while noting the RSH's request that a merger is considered, as this would negate the need to move properties. Were properties to move to an alternative manager, SOHO has stated that protecting the welfare of those residents would be its principal concern.</p> <p>On rent collection, SOHO has stated that it is working to manage the two isolated cases, and that the other 25 lessees all reported no material arrears for the period.</p>
<p>Stakeholder participation risk</p> <p>The probability that expectations and/or experiences of stakeholders are misunderstood or not taken into account</p>	<p>SOHO is several steps removed from the experiences of the residents living in its homes. But, as an impact investor committed to delivering positive outcomes, it is essential that the Fund has mechanisms in place to hear feedback from those residents.</p> <p>We categorise SOHO's level of risk in this area as Medium.</p>	<p>SOHO gathers feedback from residents on a regular basis through regular engagement with housing providers, and through working with TGE, who produce its impact reports. TGE conducts site visits every six months, to hear from and gather detailed feedback from all relevant stakeholders, including residents and/or family members. In addition, TGE aims to conduct an Annual Resident Outcomes Survey with a sample of residents. To date, TGE has collected survey responses from 270 SOHO residents across three surveying cycles.</p>

IMPACT RISK CATEGORY	RISK DESCRIPTION	SOHO RISK MITIGATION STRATEGIES
<p>Alignment risk</p> <p>The probability that impact is not locked into the model</p>	<p>The RSH has voiced its opinion that long lease terms in the SSH sector are unfavourable to housing providers. This concern stems from the fact that providers are locked into long-term leases yet are only able to generate relatively small margins for each unit managed.</p> <p>We categorise SOHO's level of risk in this area as Medium.</p>	<p>SOHO has an ongoing dialogue with the RSH and has taken sensible steps to move towards a fairer risk-sharing framework between the Fund and its partner housing providers.</p> <p>In May 2022, SOHO approved a set of changes to its investment policy which enables it to enter into more flexible leases. This includes removing minimum lease term restrictions, taking on more risk in asset lifecycle maintenance and allowing more flexibility in setting rent increases. SOHO hopes these changes will enable it to enter into new lease structures, and potentially widen the cohort of providers it can partner with.</p> <p>In addition, SOHO has developed a new clause that it is planning to include in existing leases which should address concerns about the balance of risk share between the Fund and its lessees. SOHO has publicly committed to rolling out the clauses across its portfolio in Q2 of 2023.</p>
<p>Efficiency risk</p> <p>The probability that the impact could have been achieved with fewer resources or at a lower cost</p>	<p>Rents in the SSH sector are exempt from usual Housing Benefit limitations in the social housing sector. This is because rents are higher due to the specific individualised nature of the support requirements of each resident. There is the risk that SSH's status as exempt accommodation could be exploited, with inappropriately high rents charged. SSH is generally paid for through Housing Benefit, and therefore, were this to happen, it would represent a drag on public finances.</p> <p>During 2022, the RSH has raised concerns over the status of the properties managed by one of SOHO's partner RPs – My Space classified as SSH. The RSH has stated that My Space has been unable to provide assurance that some of its homes meet the relevant definitions of SSH which are required to qualify for exception from the rent standard.</p> <p>We assess SOHO's level of risk in this area as Medium.</p>	<p>SOHO has appropriate processes in place to ensure rents are set at a sustainable level. Since launching in 2017, the Fund has developed a detailed database of SSH rents across the country, to assess appropriate levels in different geographies.</p> <p>Under SOHO's due diligence process, all schemes are explicitly required to receive confirmation of commissioner support to progress and approval from the Housing Benefit officer. The rent-setting process also requires comparisons of the proposed rent level with LHA, local comparable housing (if available) and confirmation of the property's status as SSH.</p> <p>SOHO requires a detailed cost breakdown from developers. We have heard that this is an area in which SOHO has helped to drive up standards.</p> <p>From January 2023, SOHO has taken the decision to apply a voluntary temporary one-year rent cap of 7% to its leases. This aims to ensure consistency with wider social housing policy, and to protect housing providers given the UK's current period of high inflation.</p> <p>In relation to My Space specifically, SOHO is currently undertaking a review process to ensure properties are classified appropriately and that the required levels of support are being provided to residents.</p>

4 / CASE STUDY

HOWARD CORNISH ROAD, MARCHAM		
Support Provider HF Trust	Local Authority Vale of White Horse District Council	Location: Marcham 
Housing Provider Chrysalis Supported Association	Number of Residents 5	

SCHEME OVERVIEW

Howard Cornish Road is an SSH scheme in Marcham, Abingdon for five women with significant learning disabilities.

Housing management is provided by Chrysalis Supported Association, while support services are delivered by HF Trust. Both are national organisations providing services across England. During our site visit, we heard that the relationship between HF Trust and Chrysalis was generally positive, though there have been some issues in recent months because of issues with a washing machine door. The housing manager from Chrysalis visits the property weekly – she knows and gets on well with the residents.

From HF Trust, there are four support workers based on-site. We were informed that they rarely need to use agency staff because it is a nice place to work. The quality of the building is also a factor enabling them to attract and retain staff. This is a benefit which ensures residents are able to develop a positive relationship with staff, with whom they know and are comfortable.

When acquired by SOHO, the building was a normal residential building which had been recently renovated. Upon acquiring the property, SOHO converted it for use as SSH, a process which included converting the garage, and building an extension. Residents have their own bedrooms in a shared house, with a large open-plan kitchen and living area.

The scheme is located within a quiet residential village, which has a post office, café and community centre. However, the scheme is not located close to transport links or other social infrastructure. Most journeys require a car and so this often results in residents needing to use taxis.



During our site visit, all the staff and residents confirmed that they liked the home. Some stated that it was one of the best homes they had seen.

Whilst the feedback on the property was generally positive, the manager at the property suggested further improvements could have been made had the HF Trust team been included in the design conversation earlier. They pointed out that an Occupational Therapist may have identified a need for the following: sound proofing in one room, sloped access for an emergency exit in another room and a sunken footwell or a porch space at the entrance.



OUTCOMES

The residents are all female and are aged from around 40-70. They have significant learning disabilities, with core care hours of 210 hours per week between the five residents, plus 27 hours of additional 1-to-1 support.

Of the five residents, four had previously moved from neighbouring SSH schemes to a large residential care home. The rooms at the residential care home were small and had significant issues with damp. In addition, one of the residents had significant mobility issues – a problem made worse by the fact that her bedroom at the residential care home was upstairs.

These four residents all moved out of the care home to Howard Cornish Road together approximately two years ago. The fifth resident followed a few months later. Since then, there has been no turnover – this means the residents have all now been settled at the scheme for at least 18 months. The resident with mobility issues now has a ground floor bedroom, as well as a fully accessible bathroom containing a walk-in shower.

Upon moving into the property, several improvements were also paid for by a local charity linked to the residential care home where the residents had lived previously. The charity paid £7k to install a canopy in the back garden, and £12k for the garden to be done properly, clearing out what was an uneven surface and installing artificial grass and raised beds. We heard that the residents love spending time in the garden, and last year they grew tomatoes and potatoes.

RESIDENT CASE STUDIES*

Angela

Prior to coming to Howard Cornish Road, Angela was living in the local residential care home. While living there, she was a lot less confident than she is now – she did not enjoy living with men and was much less happy, often just listening to her headphones all day. Since moving in, staff have seen significant improvements in Angela's wellbeing. She is now an active member of the community and is more independent, happy to do things on her own. Angela is happier living in a house of women, and particularly likes their large, shared kitchen.

Jane

Jane moved into Howard Cornish Road a few months after the other residents. They all knew each other as they moved from the same residential care home, however we heard that Jane settled in very well and gets on well with the other residents.

Jane had previously been living in her family home with her mother and sister. She still sees them frequently but enjoys the independence and flexibility her new home allows. Jane now goes to a Monday Club with the other residents – this is a club for adults with learning disabilities which includes playing games, going on trips and dinners and parties.

*Not their real names.





5 / CONCLUSIONS AND RECOMMENDATIONS

STRENGTHS

- **Rent cap** – SOHO has set a voluntary one-year rent cap of 7% from January 2023. Given most of its leases are linked to CPI, the Fund could charge a higher rate under the terms of the lease as CPI is currently in excess of 10%. The decision to apply this cap ensures the rents align with wider social housing policy (despite the fact SSH is exempt) and provides demonstration of the Fund's commitment to ensuring its rent increases are sustainable in the long-term.
- **Retrofit** – SOHO has now completed the pilot stage of a retrofit programme, which will aim to increase all properties in the portfolio to a minimum EPC grade C. The pilot has been valuable in informing key learnings, which will be incorporated when rolling out the retrofit programme across the wider portfolio.
- **Resident outcomes** – This year's Resident Outcomes Survey revealed very positive results. Residents overwhelmingly reported feeling satisfied with the quality of their home and the support they receive, and many reported marked improvements in relation to their levels of confidence and independence.

POTENTIAL WEAKNESSES AND MITIGATING ACTIONS

- **Addressing RSH concerns** – Nearly four years have passed since the RSH expressed concerns with the level of risk faced by lease-based providers of SSH. This has resulted in 10 of SOHO's 18 partner RPs being declared non-compliant with the RSH's Governance and Viability standards. This year saw the Fund take a positive step towards addressing these concerns, gaining approval from shareholders on a set of changes to its investment policy to enable it to enter into more flexible leases. We would like to see risk sharing in leases updated across the portfolio (including retrospectively) and we note that there are plans for this to take place in Q2, 2023.
- **Rent collection** – Issues with two lessees mean SOHO's rent collection has decreased to 92% of rent due in 2022. This has decreased from being at or very close to 100% in previous years. The Fund must ensure that it works to resolve these two isolated cases. Through conversations with SOHO, we understand this is underway.
- **Lifecycle plans** – SOHO does not currently monitor all lifecycle plans for all properties managed by its partner housing providers. As the portfolio matures, this is important to SOHO's role as a large-scale landlord to ensure its homes remain fit-for-purpose over the length of the lease. The Fund is aiming to introduce this into its due diligence process going forward and to roll it out across its existing portfolio.

APPENDIX

Appendix 1 – Data sources

DATA SOURCE/EVIDENCE	OVERVIEW	EVIDENCE RISK	LIMITATIONS
Property-by-property portfolio data	Portfolio data provided to TGE by SOHO every six months. For each property, this data provides the following info: acquisition date, investment amount, lease term, address, construct year, partner details, number of units, occupancy, care needs, whether new to SSH at point of acquisition.	Low	Reliant on accuracy of data provided by SOHO.
EPC data	Dataset showing distribution of EPC ratings in the SOHO portfolio. This is provided to TGE by SOHO.	Low	Reliant on accuracy of data provided by SOHO.
Housing provider compliance report	Overview of the compliance information SOHO receive from partner housing providers on quarterly basis. This is provided to TGE by SOHO.	Low	Reliant on accuracy of data provided by SOHO.
Resident Outcomes Survey data	Survey data collected remotely from a sample of 60 residents between January and February 2023. Residents completed the surveys using either an online form or a paper survey which was completed and scanned back to TGE.	High	Small sample size – outcomes data disclosed by surveyed residents may not be representative of experiences of wider portfolio of residents. This is mitigated to an extent by the fact we have now run three surveying cycles, gathering 270 responses in total, with generally similar results provided.
Resident demographic information	Resident demographic information collected by SOHO through its partner housing providers on care needs, weekly care hours and age distribution. Coverage ranges from approximately 50% to 90% of operational units across these areas. This is provided to TGE by SOHO.	Medium	Information not representative of the whole portfolio, as this data is not available for all properties. Reliant on the accuracy of the information collected by housing providers and shared by SOHO.
Due Diligence questionnaire overview	Blank template of SOHO's Due Diligence questionnaire for new partners. This was provided to TGE to show the areas SOHO requires info on as part of their standard process.	Low	Reliant on SOHO requiring info on all the listed items in the DD template when considering deals.
Interviews with housing provider partners	Interviews carried out with SOHO's housing provider partners. Through these interviews, TGE aim to find out about the providers' general relationship with SOHO, as well as specific details in relation to selected schemes.	Medium	TGE speak to at least one partner housing provider for each Impact Report. This means TGE have spoken to a portion of SOHO's partner providers since 2020.
Interviews with care provider partners	Interviews carried out with care providers who deliver support services to residents living in SOHO-owned homes. Through these interviews, TGE aim to find out about the CPs' general relationship with SOHO, as well as specific details in relation to selected schemes.	Medium	TGE speak to at least one partner care provider for each Impact Report. SOHO work with over 100 care providers and so TGE have had conversations with a relatively small proportion since 2020.

DATA SOURCE/EVIDENCE	OVERVIEW	EVIDENCE RISK	LIMITATIONS
Interviews with SOHO staff	Interviews carried out with various members of SOHO's staff, including the organisation's directors as well as those from investment teams and asset-management teams.	Medium	Reliant on the accuracy of the answers provided by SOHO staff. Also, though these conversations provide insight into the Fund's processes and activities, they cannot provide the full picture since some info is confidential and cannot be shared.
Site visits to selected schemes	Site visits carried out by TGE to selected SOHO schemes. On these visits, TGE aim to speak to support staff and residents (and/or family members) to understand the real-world impact these homes are having on residents.	Low	TGE aim to visit at least one scheme for each Impact Report. Once at a scheme, there are very few limitations, TGE can develop an accurate and in-depth understanding of the impact delivered. However, SOHO's portfolio consists of 497 properties and so TGE has only visited a small subset.
Monetisation data calculated by TGE	Monetisation data calculated by TGE. This monetisation data is based on the wellbeing outcomes disclosed by residents through the Resident Outcomes Survey. TGE use a monetisation model to calculate the monetary value of the outcomes experienced by residents. This is based on a Social Return on Investment (SROI) framework which uses monetised outcomes (financial proxies) to quantify and communicate the relative value of outcomes.	High	Monetisation data is based on a relatively small sample of residents whose experiences may not be representative of the wider portfolio. Also, there are different approaches to calculating the monetary value of an outcome, and different financial proxies that can be used. TGE's method was, however, developed in partnership with Simerica-Jacobs (leaders in social value analysis) and so aims to align with best practice in this area.
Property inspection records	Details of property inspections carried out by the SOHO asset management team in relation to a specific provider. This provides evidence of SOHO's monitoring of its partners. This is provided to TGE by SOHO.	Medium	Information only shared for one partner as an example of SOHO's monitoring processes. Reliant on the accuracy of the records provided by SOHO.
Trading Updates	Trading Updates issued by SOHO. As a publicly listed fund, SOHO must issue regular trading updates to the market. These are reviewed by TGE when producing impact reports, and any relevant information is incorporated within the report.	Low	Reliant on the accuracy of the information disclosed by SOHO.
G/V gradings of partner RPs	TGE conduct a review of the Governance and Viability (G/V) gradings published by the RSH for each of SOHO's 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	SOHO provide data on the CQC ratings of its partner care providers. The data provides a breakdown of all CQC ratings (including organisations with single ratings and multiple ratings across numerous sites). SOHO track this data systematically and share with TGE.	Low	The accuracy of the analysis carried out by TGE is reliant on the accuracy of the information provided by SOHO.

Appendix 2 – SOHO Impact Data

IMPACT OBJECTIVE	IMPACT METRICS	DEC 2021	DEC 2022	% CHANGE
SOCIAL NEED 	Number of homes	3,424	3,456	+1%
	Percentage of homes in the 40% most deprived local authorities (based on the IMD)	75%	75%	No change
	Residents' breakdown of weekly care hours*			
	0 – 19 hours	31%	29%	N/A
	20 – 49 hours	50%	22%	N/A
	50 – 99 hours	8%	21%	N/A
	100+ hours	12%	28%	N/A

*Dec 2021 figures based on a survey sample of 150 residents. Dec 2022 figures based on resident info collected by partner housing providers, covering 1,761 residents (approximately 50% of portfolio). Percentage change year-on-year not calculated due to difference in the nature of the samples on which this information is based.

IMPACT OBJECTIVE	IMPACT METRICS	DEC 2021	DEC 2022	% CHANGE
FUND SUSTAINABLE DEVELOPMENTS 	Percentage of homes with EPC rating A-C	72%	71%	-1%
	Percentage of homes with EPC rating A-E	100%	99.8%	-0.2%
	Percentage of residents satisfied with the quality of their home*	86%	91%	+5%
	Breakdown of total homes by housing type			
	Specialised supported housing	N/A	89%	-
	Supported housing	N/A	7%	-
Registered care or Children's services	N/A	4%	-	

*Based on Resident Outcomes Surveys conducted for each year's Impact Report. For Dec 2021, this is based on a sample of 150 residents, and for Dec 2022 this is based on a sample of 60 residents.

IMPACT OBJECTIVE	IMPACT METRICS	DEC 2021	DEC 2022	% CHANGE
INCREASE SUPPLY 	Number of properties	488	497	+2%
	Number of homes	3,424	3,456	+1%
	Percentage of homes defined as 'new' to SSH	61%	62%	+1%
	Percentage of homes forward-funded by SOHO	9%	9%	No change
	Breakdown of homes by Condition of Stock ¹¹			
	Adapted	61%	61%	No change
New-build	30%	30%	No change	
Purpose-built	9%	9%	No change	

IMPACT OBJECTIVE	IMPACT METRICS	DEC 2021	DEC 2022	% CHANGE
QUALITY SERVICES AND PARTNERSHIPS 	Number of partner housing providers	24	27	+13%
	Of which are Registered Providers (RPs), regulated by the RSH	16	18	+13%
	Of which are care providers or housing managers, not regulated by the RSH	8	9	+13%
	Number of partner housing providers declared non-compliant with the RSH's governance and viability standards	9	10	+11%
	Number of partner care providers	114	122	+7%
	CQC ratings of partner care providers who have been inspected*			
	Outstanding	4%	3%	-1%
	Good	85%	82%	-3%
	Requires Improvement	10%	14%	+4%
	Inadequate	1%	1%	No change

*Breakdown of providers with individual and multiple CQC ratings.

TARGET OUTCOME	IMPACT METRICS	DEC 2022
IMPROVE WELLBEING 	Percentage of residents who identified an improvement in the following areas between their previous accommodation and their current SOHO-owned home*	
	Physical health	62%
	Social connections	36%
	Support network	71%
	Confidence	80%
	Independence	80%

Based on a Resident Outcomes Survey conducted with a sample of 60 residents between January and February 2023.

TARGET OUTCOME	IMPACT METRICS	DEC 2022
VALUE FOR MONEY 	Total Social Value	£128.4m
	Social Impact – the value of improved outcomes for residents	£27.4m
	Fiscal Savings – the savings generated for public budgets	£101.0m
	Social Return on Investment – the social value generated per year for every £1 invested by SOHO over the duration of the investment	£3.30

Appendix 3 – The Equity Impact Project

EQUITY IMPACT REPORTING FRAMEWORK

Triple Point Social Housing REIT Plc ["SOHO"]

This is based on the [EIP Framework](#).



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



SOHO 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

SOHO brings additionality to the sector by raising capital at scale from investors, using the funds to acquire Specialised Supported Housing (SSH) properties which are then leased back to housing providers to manage on, generally, long-term leases. This provides long-term equity to the social housing sector, increasing the supply of SSH.

SOHO's level of additionality is greatest when the properties it acquires are new to the social housing sector at the point of acquisition. This includes new-build properties as well as conversions of existing properties from an alternative use to SSH. Of SOHO's portfolio of 3,456 homes, 62% are defined as new to SSH at the point of acquisition.

Statement on Approach to Impact at Exit

When the Fund sells properties, its priority is to ensure that the sale proceeds in a way which ensures the continued provision of services at the property. SOHO confirmed that the Fund would not sell a property where the change of ownership will be likely to have a negative impact on residents.

This approach was brought into focus this year as SOHO sold five properties consisting of 72 homes between January and June. The Fund can confirm that there was no impact on residents at any of these properties as a result of the change in ownership.

Statement on Impact Risk Management

SOHO has developed an Impact Measurement and Management (IMM) framework in partnership with specialist impact advisor The Good Economy (TGE). This framework identifies the impact objectives and target outcomes through which SOHO aims to contribute to positive impact creation. In designing this framework, TGE worked with SOHO, providing input into the Fund's due diligence process to ensure impact considerations (including considerations of potentially material impact risks) are incorporated into its standard investment process.

In addition, TGE publish a bi-annual impact report, which assesses the Fund's impact performance. This report incorporates feedback from all relevant stakeholders, including partner housing providers, care providers and residents, and usually includes site visits to selected properties. The report also includes an impact risk assessment framework, which draws on guidance from the Impact Management Project (IMP) to identify relevant impact risks and outlines the steps SOHO is taking to mitigate those risks.



SOCIAL CARE (SUPPORTED HOUSING) QUALITATIVE STATEMENTS

Asset Management Approach

At present, all of SOHO's leases are on a fully repairing and insuring basis, which means that its lessees are responsible for repairs and maintenance of the properties. Notwithstanding this, as a responsible landlord SOHO is committed to ensuring ongoing property quality through a robust and comprehensive approach to asset management which commences before properties are acquired. Properties are assessed and visited by members of the asset management team during the acquisition process, lessees are engaged with on capex and lifecycle planning, surveys and valuations are carried out by independent valuers and surveyors and full due diligence is completed.

Once a property is acquired, SOHO's asset management team take over the day-to-day management and monitoring of the property. This is all done in-house.

SOHO's asset management team is a resource dedicated to ensuring that homes are fully compliant with legislation, operating well and delivering good homes which are well maintained and receiving quality services from lessee housing managers and care providers.

The asset management team undertake routine property inspections, quarterly financial, operational and compliance surveys and conduct routine meetings with the senior management teams of SOHO's lessees as well as having ad-hoc interactions on a weekly and sometimes daily basis if issues arise.

All of this ensures that SOHO is continually assessing and monitoring property quality.



ENVIRONMENTAL QUALITATIVE STATEMENTS

Mitigate Climate Risks

Flood risk:

Flood risk considerations are assessed in respect of every property during SOHO's diligence. Specifically, SOHO considers all flood affected areas adjacent, and in the vicinity and commissions a desktop analysis. SOHO is currently exploring options with other service providers to commission long term future flood risk reports and analysis and intends to incorporate this into its diligence next year.

Risk of homes overheating:

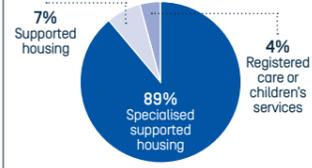
SOHO is moving towards aligning its set of Employers Requirements to take account of overheating risks, aligning to best industry practice.

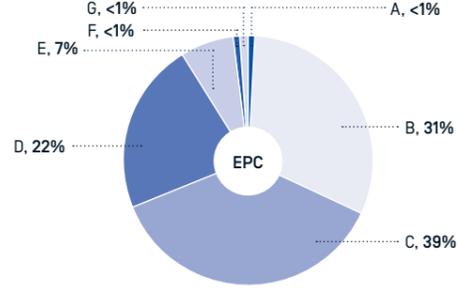
Reach Net Zero

SOHO's investment manager, the Triple Point Group, is in the process of designing its Net Zero Roadmap with external support from specialists The Carbon Trust. The Manager intends to use a Science Based Target approach. As part of that process, a Net Zero Policy applicable to SOHO will be designed and adopted with Board approval.

METRIC REPORTING

This is based on the EIP Framework.

SOCIETAL IMPACT AREA 1:  SOCIAL CARE (SUPPORTED HOUSING) Those receiving care do so in quality, appropriate accommodation.	
Increase Supply	<p>3,456 Specialist Housing units funded.</p>  <p>7% Supported housing 89% Specialised supported housing 4% Registered care or children's services</p> <p>9% forward-funded 53% forward-purchased* 9% acquisition (converted to specialist) 30% acquisition (existing specialist stock)</p> <p>3,456 – Projected number of people housed.</p> <p>*SOHO categorises forward purchased as acquisitions of newly-built, new to SSH stock.</p>
Target Need	<p>SOHO assesses demand throughout its underwriting process. Typically, demand is established through SOHO's established network of Local Authorities, Registered Providers and care providers and supplemented by data analysis conducted in-house which establishes key market drivers and tracks data on demand levels in local areas.</p> <p>Critically when determining the need for a specific service SOHO engages with housing benefit officers and commissioners in the local authority to confirm there is a commissioning requirement for the property with a Local Authority or a health service. As part of this process, SOHO seeks formal confirmation of demand for a scheme from the local commissioner before a property is acquired.</p>
Deepen Affordability	<p>SSH schemes are specialist properties requiring higher levels of housing specification, adaptations and support services to cater for their residents who require care, support and supervision which allows them to live independently in their communities.</p> <p>Properties are therefore costlier to build and develop to meet these requirements when compared with general needs housing, for example. This is recognised by local authorities when determining rental levels which are exempt from the Local Housing Allowance cap. The lease rent and the service and maintenance charge are set in conjunction with the Local Authority housing benefit officer and are agreed (in principle) against the costs of developing the property. The rent in the lease between the housing provider and SOHO equals the lease rent that the housing provider claims from the Local Authority on behalf of its tenants, ensuring there is no mismatch between the housing provider's income and its liabilities.</p> <p>SOHO maintains a comprehensive database of rents across its portfolio which has been built up over the last five years and it is this database, along with updated evidence collected during diligence from Local Authorities and valuers on local rental comparables, which is used when SOHO assesses rental levels. Where it is possible, SOHO also seeks to compare costs from residents' previous setting. Residents are referred from a range of sources, not just traditional hospital settings and so this is not always possible. SOHO also undertakes an analysis on its lessee's profit margins during its due diligence process.</p>
Ensure Quality Services	<p>85% of known CQC ratings are 'Good' or 'Outstanding'.*</p> <p>*Note this is a breakdown of all SOHO care providers with individual and multiple CQC ratings. As SSH schemes do not receive a CQC rating at the property level, this figure reflects the performance of all schemes operated by a care provider, not just SOHO-owned units.</p>

SOCIETAL IMPACT AREA 2:  ENVIRONMENTAL SUSTAINABILITY Environmental Sustainability.	
EPC Ratings	 <p>A, <1% B, 31% C, 39% D, 22% E, 7% F, <1% G, <1%</p>
INDICATOR NOT REPORTED	EXPLANATION
Scope 1, 2 & 3 greenhouse gas emissions per m² (asset performance level)	SOHO does not currently collect the data required to report on these indicators. However, the Fund is currently working on a long-term environmental project through which it will be aiming to collect and report this information in future.
Total capacity of renewable energy production	
Percentage of built portfolio meeting green building ratings standards	
Key areas of learnings or underperformance None of note.	

THE

GOOD

ECONOMY

CONTACT

4 Miles's Buildings, Bath BA1 2QS

+44 (0) 1225 331 382
info@thegoodeconomy.co.uk

thegoodeconomy.co.uk