

Funding Affordable Homes

Impact Report Summary 2020

Funding Affordable Homes (FAH) is a social impact investment company set up in 2015 to invest in UK government regulated affordable housing. The 2020 Annual Impact Report finds FAH is continuing to have a positive social impact, making a contribution to increasing the supply of high-quality, affordable housing for individuals and families with an identified social need. FAH invests in both general needs homes, as well as specialist housing for older persons, individuals with care needs and those at risk of homelessness. The past twelve months has seen the occupation of general needs housing schemes in Aldershot and Tower Hamlets by some 230 households. Several schemes in the pipeline are expected to reach legal completion during 2020.



Alignment to Sustainable Development Goals (SDGs)

The core business of FAH is to develop quality, safe affordable housing which is a core target of SDG 11 Sustainable Cities and Communities. There is strong evidence that quality, affordable housing also contributes to positive outcomes relating to at least six other SDGs, as shown opposite. The Good Economy (TGE) has used proxy measures to assess the strength of contribution of FAH's investment to the SDGs and found it makes the greatest contribution towards indicators for SDG 11: Sustainable Cities and Communities and SDG 1: No Poverty.

FAH's impact objective is "to increase the provision of good quality, affordable housing to improve the lives of people in social need."



Impact Assessment

This report provides an assessment of FAH's performance against its stated impact objectives:

Provide housing to support those with a **Social Need**

FAH continues to invest in housing schemes that serve individuals and families with a clear and distinct social need for appropriate, affordable housing. There is large demand for FAH's general needs properties, primarily from those on the sizable social housing waiting lists in the areas where the schemes are located. 45% of tenancies are located in the 20% most deprived local authorities, demonstrating that FAH homes serve individuals in some of the poorest areas in the country.

Provide housing with the potential to deliver **Secondary Social Outcomes**

TGE carries out resident surveys to evidence the extent to which FAH homes deliver positive outcomes beyond housing, such as great stability and improved well-being. The resident survey at the Birchett Road scheme in Aldershot, found that 61% of those interviewed reported their new home had increased their housing stability and 56% of residents reported the move had improved their mental health. There is continued evidence of positive outcomes for residents at specialist housing schemes, particularly the Midland House homelessness accommodation managed by YMCA Bedfordshire. To date, an average of 113 jobs have been created in the construction phase of each scheme, demonstrating the additional economic benefits such projects can bring.

Maximise **Affordability** for residents including **energy efficiency**

Of the general needs properties provided by FAH, 36% are at the most affordable 'social rent' level, with such rents typically set at around 50% of market rates. This far outstrips the national average in the social housing sector, where only 5% of all affordable homes built in 2019 were for social rent. FAH homes are enabling people to move off local authority housing waiting lists, including some who have been waiting for a suitable home for an extended period.

Fund homes that would not have been built otherwise **[Additionality]**

TGE considers FAH to provide very high additionality as an investor. The FAH investment team takes a proactive approach to forging good working relationships with local authorities, developers and Registered Providers. FAH makes a substantial contribution to delivering affordable housing that would not otherwise be delivered. The team has renegotiated plans for developments that would have been primarily private housing to affordable developments, such as the Freshwater and Birchett Road developments.

Work with partners to provide high **Quality of Management** to the properties

The quality of management provided by RPs to FAH homes is vitally important because this has a direct impact on tenant wellbeing. From a Birchett Road survey, residents indicated a dissatisfaction with the responsiveness of their RP towards repairs and raised concerns about anti-social behaviour. The survey was conducted during the Covid-19 pandemic where RPs were only expected to carry out emergency repairs. However, these issues will be investigated by FAH and, where necessary, action will be taken to improve the situation.

Environmental Impact

Of FAH's completed homes, 95% had an EPC rating of C or above. This is in line with the targets of the government's Clean Growth Strategy. Breaking this down further, 20% were rated A, 66% rated B and 9% rated C. Considering the average dwelling in England has an EPC rating of D, FAH's homes are more energy efficient than the national average.



CASE STUDY

Birchett Road, Aldershot

This general needs housing scheme was completed in June 2019 and provides a mix of tenure types and bed sizes for approximately 150 residents. While the development was initially intended mostly for private sale, FAH worked with the developer and the Local Authority to convert the scheme into a fully affordable development, demonstrating a high level of additionality due to FAH's involvement. With rising house prices, a growing population and an increasing

number of households having to be placed in temporary accommodation, this scheme makes a contribution to meeting the need for more affordable homes in Aldershot.

TGE's residents survey found that residents are generally satisfied with the quality of the homes, with the vast majority having come from temporary, inadequate or overcrowded homes.

The survey found that:

61%

of residents said that moving into their new home has increased their stability compared to their previous housing situation.

56%

of residents said that moving into their new home has improved their mental health (i.e. they feel less anxious, stressed or worried about safety).

33%

of residents said that moving into their new home has improved their financial situation due to the affordability of the rent.

Conclusion

FAH Strengths

- > FAH continues to invest in schemes that have excellent additionality – funding affordable homes that would not otherwise have been built.
- > All schemes provide quality, affordable housing to individuals and families with a clearly defined social need. Two new general needs schemes were occupied during the year – Birchett Road and Island Point. These schemes are in high demand and are contributing to positive outcomes – from the Birchett Road survey, 11% of residents moved there from temporary accommodation, and 39% of residents were previously living in overcrowded accommodation.
- > Midland House, the YMCA homeless accommodation in Luton, continues to thrive, with its resident outcomes improving year-on-year.

Potential Risks and Areas for Improvement

- > Where schemes are wholly affordable housing it is important the local authority adopts a sensitive lettings policy to ensure a balanced mix of tenants. This could help reduce the risk of anti-social behaviour reducing beneficial outcomes for other residents.
- > The quality of housing management provided by RPs needs to be closely monitored by FAH. While RP service provision is generally assessed to be good, the scale of the FAH investment portfolio now means that regular monitoring and reporting should be used to identify areas for improvement.

Overall, TGE considers FAH is meeting its impact objectives and making a positive contribution to delivering quality, affordable homes for those in social need.

Left: Freshwater, Isle of Wight, under construction
Right: Residents and staff from the Independent Living portfolio

