

THE
GOOD
ECONOMY



Funding Affordable Homes.

Impact Report Summary 2023

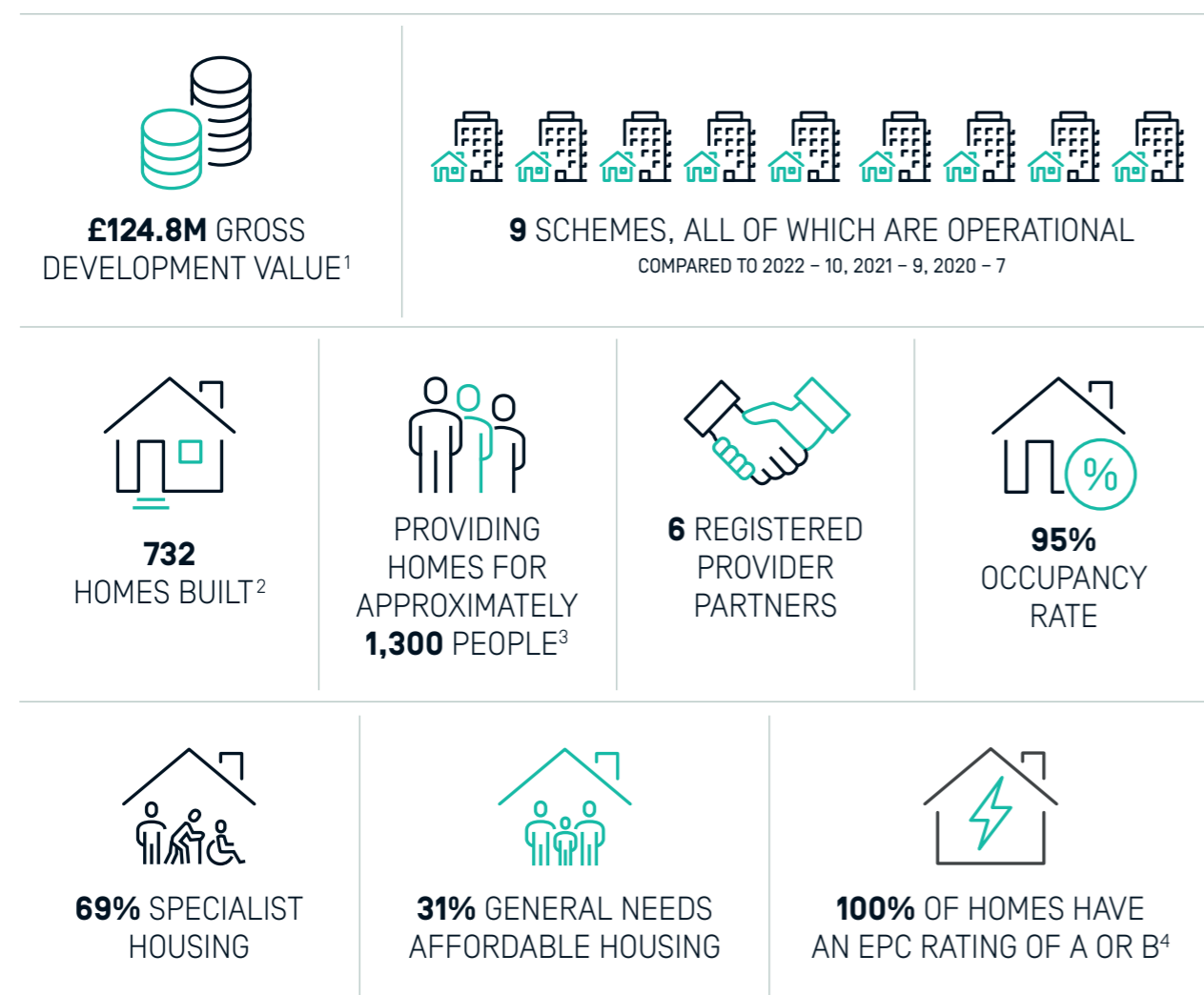
October 2023

About Funding Affordable Homes.

FAH is a social impact investment fund that invests in affordable general needs and specialist housing in the UK. Launched in 2015, FAH aims to help alleviate the chronic shortage of affordable housing in the UK by offering a valuable source of funding to the sector and delivering more homes. FAH seeks to deliver both measurable improvements to the lives of people in need and durable, long-term financial returns to investors.

Headline Results

As of 30 June 2023



¹ Net of grant total excludes £8.3m from the Fund's temporarily remaining shared ownership properties at Landmark Pinnacle, and £2.0m from its Independent Living properties, both of which are being held for sale.
² One shared ownership unit at Island Point was fully staircased out (i.e. the resident now owns 100% of the property). As such, it has been removed from the FAH portfolio.
³ This figure is estimated based on the number of people each home is assumed to provide for.
⁴ Midland House received an EPC reassessment shortly after 30 June 2023. This resulted in the assessment being upgraded from an EPC C rating to a B.



Resident Case Study – Aaron, Midland House

Aaron has been living at Midland House for 11 months. He was made homeless when his relationship with his family broke down, and he was kicked out of his house. He was homeless for four months, during which time he was staying on a friend's sofa.

He had heard negative stories about other hostels in the area and was worried how the communal element would affect his mental health, as he is autistic and struggles with anxiety. However, Aaron was glowing in his review of his time at Midland House, stating "it's my home" and "the staff are like my family".

Aaron has now started the process of bidding for an affordable housing tenancy with the assistance of his support officer. He is looking forward to being able to secure his own home and feels far more positive about his prospects. Had it not been for Midland House, Aaron thinks he would have been in a far worse position and would possibly be living on the streets.

“ Since moving in, I have become more confident, more independent and more myself. This place has really helped me and picked me up.

Impact Objectives



Social Need

The general needs schemes within FAH's portfolio are in areas with high demand for more affordable homes. Several of the Fund's specialist housing schemes also play key roles in responding to local needs. For example, Midland House provides accommodation for people who are homeless in Luton, an area with high rates of homelessness. Occupancy rates across the portfolio are at 95% [increased from 92% last year], indicating high demand for FAH's homes.



Fund High Quality Sustainable Developments

All of FAH's homes have EPC ratings of A or B. FAH is focused on improving the environmental performance of its homes and is currently exploring ways to further improve energy performance. FAH commissioned BREEAM In-Use assessments for all schemes and provisional ratings suggest that the portfolio is rated 'Good', on average.⁵ Overall, site visits to FAH schemes have also confirmed the quality of the homes, with all residents we spoke to reporting being satisfied with their homes.



Affordability

Half of FAH's general needs portfolio are social rent homes (with rents at approximately 50% of market rates). This year, FAH's rents were increased in line with the Regulator of Social Housing's (RSH) 7% rent cap. In line with other market participants, the same cap was voluntarily applied to rents for FAH's shared ownership properties. At the Fund's specialist housing schemes, residents' housing costs are often covered by local authorities, and evidence from Crisis and the National Housing Federation suggests they are providing value for money for public budgets compared to potential alternatives.



Additionality

FAH has delivered a total of 11 schemes, comprising 871 new homes since entering the sector. Two schemes, which no longer meet the Fund's social commitment, have now been or are currently in the process of being sold, leaving the current portfolio at 732 homes across nine schemes. Since its launch, we assess FAH to have generated a high level of additionality for the sector. Whilst no new investments have been made in the last 12 months, FAH expects to grow the portfolio over the coming year.



Quality of Management

FAH works with six partner Registered Providers (RPs) who are responsible for the day-to-day management of the schemes. Partners are screened and monitored by FAH to ensure that quality services are delivered. Overall, we have heard positive feedback from the residents we spoke to regarding the quality of management of their homes, suggesting a high standard of service is provided. In particular, residents at the schemes we visited this year spoke highly of the staff and services provided.

Outcomes



Social Outcomes

Across FAH's portfolio, we have heard evidence of a range of positive outcomes experienced by residents. These vary depending on the type of accommodation, however common outcomes include: improved resident wellbeing, greater stability of tenure, more social interactions, improved confidence and independence, and feeling safer.



Environmental Outcomes

FAH's contribution to environmental outcomes comes mostly from the energy efficiency of its homes. FAH is considering the best ways to improve energy efficiency, particularly through a retrofit of homes to reduce energy consumption and expense. FAH also monitors its contribution to improved environmental outcomes by tracking the estimated CO₂ emissions at each scheme. Three of the Fund's schemes also have solar panels installed, providing on-site renewable energy.

Resident of Island Point,
Tower Hamlets



⁵ Building Research Establishment Environmental Assessment Methodology (BREEAM) In-Use – a sustainability assessment method that enables property owners to determine and drive sustainable improvements in the operational performance of their assets.



Resident Case Study – Aimee, Island Point

Aimee has been living at Island Point for over three years. She lives in a shared ownership property on the site, having purchased 25% of the property with her partner. Prior to moving into her home, she was renting in the private sector. Aimee stated a frustration with the high and unaffordable rents which she was being faced with and now believes that the shared ownership home at Island Point is much better as it has enabled her and her partner to get onto the property ladder.

Regarding the service charge on the property, Aimee noted that it has increased a couple of times, but she doesn't believe it is unreasonable and sees the value in it, specifically when compared with service charges her peers are faced with at other shared ownership schemes.

Aimee described her relationship with her neighbours as one where "everyone looks out for one another." Furthermore, she informed us that she feels "very content" with the quality of her home and that any issues with the property have always been resolved quickly. When asked how long she might want to stay within the home, Aimee explained that she would be interested in selling her property with the hopes of buying a larger shared ownership property on the same development. Overall, Aimee informed us that she was very pleased with both the quality of the accommodation and the impact that it has made on her life.

“ This provided a good opportunity for us to get onto the property ladder. It was definitely the best option for us!



Left: River Beal Court, Rochdale
Right: Residents at Colwell Road, Freshwater

Areas of Strength

- > **Positive impact on resident wellbeing**
We once again heard repeated evidence of the positive impact that FAH's homes are having on resident wellbeing. Residents reported feeling happier and more settled and generally having a more positive outlook on life because of living in a home which appropriately serves their needs.
- > **High quality of management**
Resident feedback has shown that FAH's housing managers are delivering a high quality of service to residents. This was highlighted in the feedback gathered on our site visits and through the positive resident survey results from other schemes. As the

freehold owner, FAH is several steps removed from the individual residents. Therefore, the quality of its housing management is an essential element of ensuring a positive lived experience for its residents.

- > **BREEAM In-Use assessments**
During 2023, FAH engaged with specialist consultants to undertake BREEAM In-Use assessments of its assets. This should facilitate ways to improve the operational environmental efficiency of its buildings, including relevant factors such as energy, water use, waste management and air quality.

Potential Risks and Areas for Improvement

- > **Birchett Road**
This year has seen a significant issue arise with the roof at Birchett Road, Aldershot resulting in some residents needing to be housed in nearby temporary accommodation. Works on a roof replacement are being completed and FAH is pleased with how the matter is being handled by Plexus, its managing partner at Birchett Road. However, this is a considerable inconvenience and will clearly have had an impact on the wellbeing of the affected families.

- > **Supply**
FAH has added no new schemes to the portfolio, limiting the Fund's contribution to increasing supply in the last 12 months. However, FAH has now raised new capital and is exploring opportunities for potential investments to deliver up to 3,000 new affordable homes in the coming years.

Investment and Impact Thesis

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

Under this goal, FAH has worked with TGE to develop an Impact Measurement and Management (IMM) system to enable the Fund to measure, manage and report on the impact of its investments.⁶

The IMM system is structured around a core framework, which includes FAH's impact objectives and the intended outcomes through which the Fund aims to contribute to positive impact creation (see below).

FAH's IMM Framework



Sample Portfolio Assets



River Beal Court
Rochdale, Greater Manchester
Supported living for individuals with a care need
37 x 1-bed apartments
c.55 people housed



Island Point
Tower Hamlets, London
Social and affordable rented and shared ownership homes
172 x 1- to 5-bed apartments and houses⁷
c.450 people housed



Midland House
Luton, Bedfordshire
Homelessness project
78 x 1- & 2-bed apartments
78 people housed



Rosebank Park
Harwich, Essex
Extra care for over 55s
70 x 1- & 2-bed apartments
c.105 people housed



Ashey Road
Ryde, Isle of Wight
Extra care apartments, including shared ownership for over 55s, or over 45s with a support need
27 x 2-bed bungalows, 75 x 1- & 2-bed apartments
c.150 people housed

Total number of homes: 732
Number of residents: c.1,300

Breakdown of homes by type

- General needs – social rent: 115
- General needs – affordable rent: 77
- General needs – shared ownership: 38
- Homelessness: 78
- Extra care: 387
- Supported living: 37

⁶ Overall, we take a stakeholder-driven and outcomes-focused approach to assessing the impact of FAH's investments. This incorporates a core focus on residents' lives and their wellbeing (who benefits and how), which aligns with the Impact Management Project (IMP). Appendix 1 provides detail on the data sources used in this report.

⁷ One shared ownership unit at Island Point was fully staircased out (i.e. the resident now owns 100% of the property). As such, it has been removed from the FAH portfolio.

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IMPAKT Housing and Support
Manager at Midland House, Luton



Resident at Ashey
Road, Ryde



Poplar HARCA staff at Island
Point, Tower Hamlets



Resident at Midland
House, Luton

The Good Economy is an impact advisory firm and specialist in impact measurement and management.

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