

THE
GOOD
ECONOMY

LEGAL & GENERAL AFFORDABLE HOMES SUSTAINABILITY AND IMPACT REPORT 2022

AUGUST 2023





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

This report relates to the following entities:

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



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

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

The information reviewed should not be considered exhaustive and The Good Economy, its principals and staff cannot and do not guarantee the accuracy, completeness and/or fairness of the information and opinions contained herein. This report shall not be construed as financial promotion or as a recommendation, invitation or inducement to any person to engage in investment activity.

This report has been prepared for the benefit of LGAH and no other person may be able to rely upon this report. Accordingly, The Good Economy accepts no duty of care, responsibility, or liability (whether in contract or tort (including negligence) or otherwise) to any person other than LGAH for any loss, costs, claims or expenses howsoever arising from any use or reliance on this report.

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

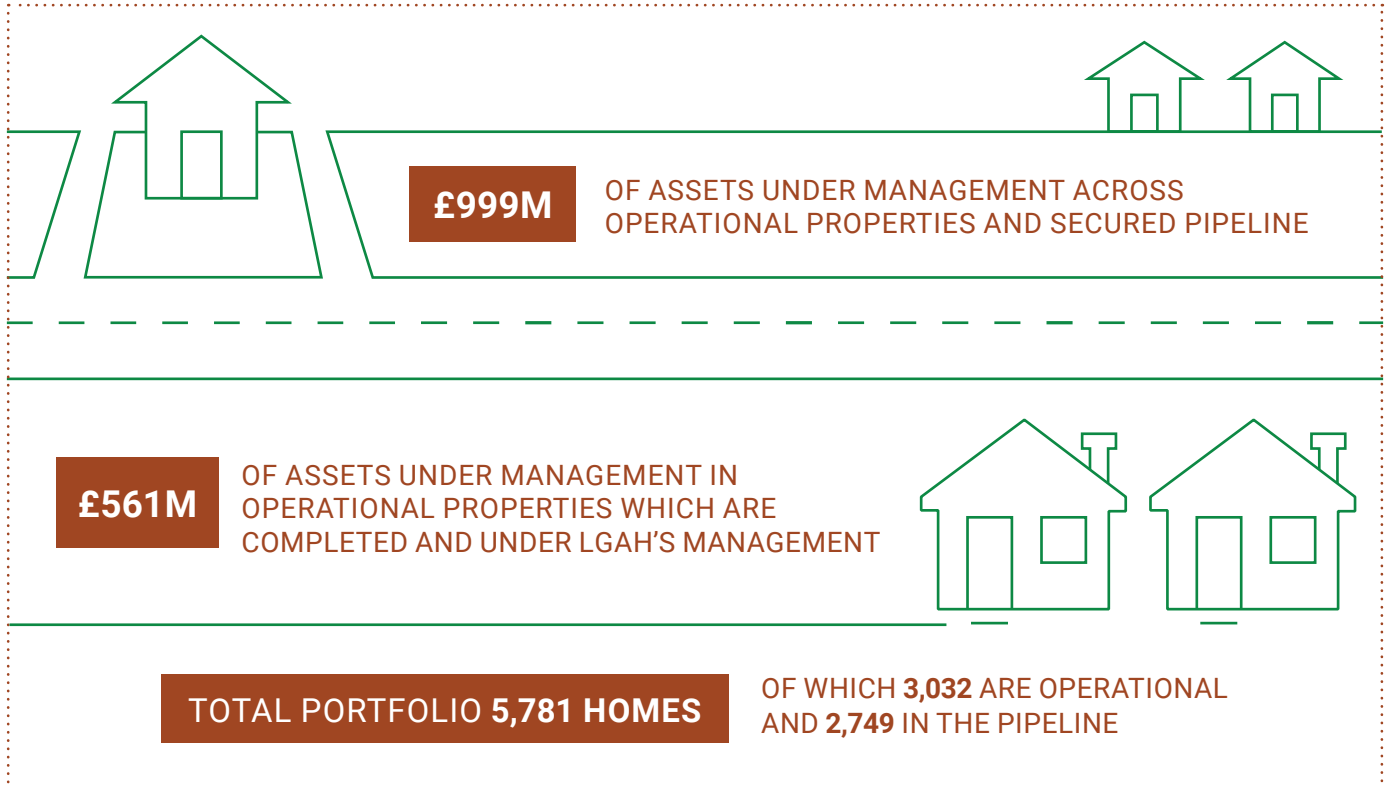
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1 / EXECUTIVE SUMMARY

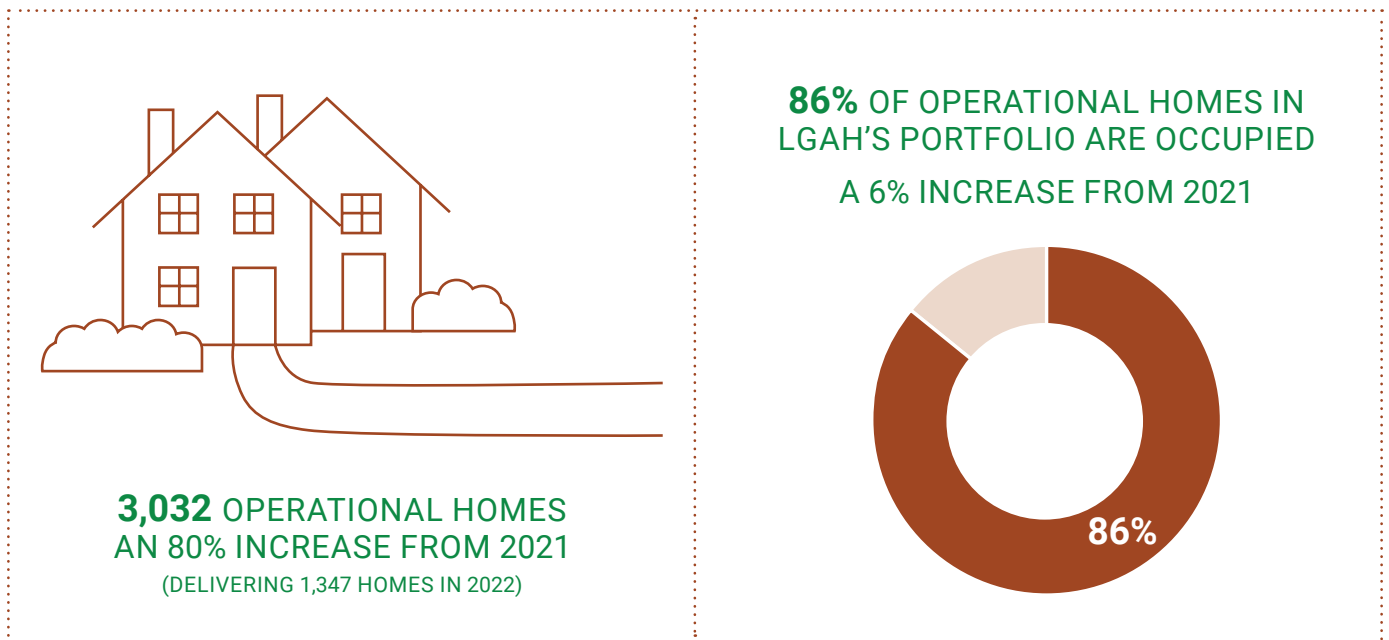
Legal & General Affordable Homes (LGAH) is a for-profit Registered Provider (RP) that makes long-term investments in the UK affordable housing sector to help tackle the country's housing crisis.

As of 31st December 2022.

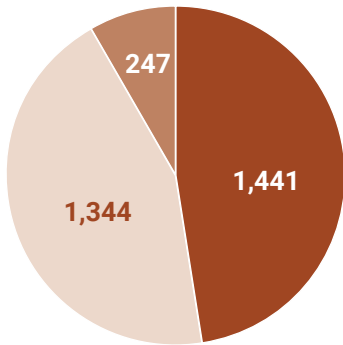


INCREASE THE SUPPLY OF AFFORDABLE HOUSING

Across the UK there is a chronic shortage of affordable housing. LGAH continues to bring a significant level of capital into the sector to meet this demand, bringing new homes to the market where they are needed. LGAH's rental homes are on average significantly below market rents, and affordable to a range of people in need of housing.



BREAKDOWN OF ALL HOMES (OPERATIONAL AND PIPELINE) BY TENURE TYPE:



- Affordable rent*
- Shared ownership
- Social rent

*Including intermediate rent and London affordable rent.



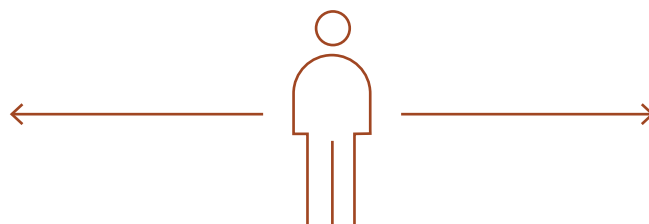
ON AVERAGE, RESIDENTS IN LGAH'S RENTAL HOMES PAY 66% OF OPEN MARKET RENT

AFFORDABLE AND INTERMEDIATE RENT HOMES ARE ON AVERAGE 67% LOCAL OPEN MARKET RENTS

69% OF RENTS ARE AT OR BELOW LOCAL HOUSING ALLOWANCE (LHA)

FUND HIGH QUALITY SUSTAINABLE DEVELOPMENTS

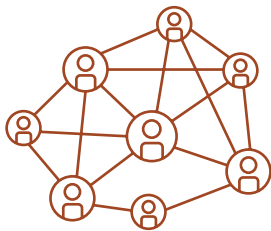
The quality and sustainability of people's homes has a significant influence on residents' mental and physical health. Our research showed that LGAH's homes are generally delivered to a high standard. LGAH is continuing to develop its measurement of environmental standards.



58% OF HOMES EXCEED NATIONAL SPACE STANDARDS

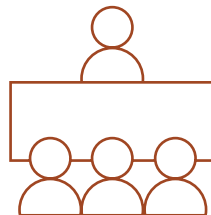
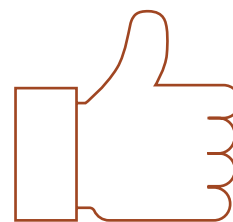
PROVIDE BEST-IN-CLASS CUSTOMER SERVICE

The quality of housing management services is crucial to residents' experience in their homes. Feedback from residents across three site visits and a strong post-move-in NPS score illustrates LGAH's resident-centered approach. LGAH sets high standards for its housing manager partners, requiring monthly and quarterly reporting across a range of KPIs, alongside multiple mechanisms for resident feedback. The new Brolly platform should pave the way for best-in-class tracking of service provision.



LGAH IS WORKING WITH A NETWORK OF **13 HOUSING MANAGEMENT PARTNERS** ACROSS ENGLAND

LGAH HAS A **HIGH NET PROMOTER SCORE OF 59** FOR OVERALL CUSTOMER EXPERIENCE¹



3 COMPLAINTS WHICH THE HOUSING OMBUDSMAN HAVE AGREED TO INVESTIGATE FURTHER.²

1. Net promoter scores (NPS) over 50 are considered high. The LGAH NPS is based on data collected from residents after initial occupation and therefore may be positively skewed, compared to how the score may look once the homes have been occupied longer. TGE will continue to monitor this.

2. The outcomes are; 1 maladministration, 1 no fault and 1 under investigation.



CONCLUSIONS AND NEXT STEPS

STRENGTHS

- **LGAH demonstrates good governance and a strong partnership approach**

LGAH has become the first for-profit Registered Provider (RP) to achieve the highest Governance and Viability grading (G1/ V1) from the Regulator of Social Housing (RSH).³ Ambitious standards are set for partner RPs with clear steps for intervention when they are not met. The RPs we spoke to were positive about the partnership due to LGAH's dedication to putting residents first, proactive communication, and strategic drive to improve the sector. The Management Agreement approach is seen as supporting fair sharing of risks and benefits between LGAH and partner RPs.

- **LGAH sets a high bar in terms of home quality and service level**

These standards are backed up by appropriate policies and processes. We heard from multiple RPs that LGAH puts in significant effort to ensure developers are held to account for delivering the homes to its expected high-quality standards. The RP partners and residents that we spoke to view LGAH's homes as of excellent quality.

- **LGAH is taking its net zero ambitions seriously**

This is supported by an ambitious Sustainability Framework that goes above and beyond minimum legal requirements.

- **LGAH's digital platform development should drive significant improvements for customers and is already showing gains**

LGAH's development and gradual implementation of Brolly, its bespoke digital platform, has the potential to significantly improve residents' experience of housing management. Feedback is positive from the early stages of Brolly's roll-out.

AREAS FOR IMPROVEMENTS

- **LGAH could achieve greater social impact by prioritising homes where rents are set at, or below, Local Housing Allowance (LHA)**

LGAH is aiming to have a mixed portfolio of homes in terms of tenure and geography. However, an ambition to drive up the share of homes accessible to households on low incomes would be positive. This could also include targeting rents that are affordable to households below the local net median income level.

- **There is more LGAH could do to harness its strategic influence and proactively support housing manager partners**

LGAH's initial focus has been its operational processes. As it stabilises, we heard appetite from RP partners for LGAH to use its brand and voice more strategically in the sector. We also heard LGAH could support its partners practically – for example through being timely and proactive about communicating the impact of new regulatory changes.

- **Consolidate sustainability metrics**

LGAH is reporting against a range of sustainability metrics across its portfolio to different stakeholders. While we consider measurement a positive step, a consistent set of Key Performance Indicators (KPIs) would enable more efficient and effective management of LGAH's Sustainability Framework implementation.

3. The RSH grading was awarded in February 2023, but is relevant to include in this Impact Report. This is because the grading reflects on LGAH's overall performance, including its governance and viability, in the 2022 period.

2 / INTRODUCTION

ABOUT LEGAL & GENERAL AFFORDABLE HOMES

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

LGAH was launched in 2018, with a mission to become the UK's leading, private, affordable housing provider and make a positive difference in the sector. It acts as a subsidiary business of Legal & General Capital, which focuses on investing capital in parts of the economy that have suffered from a shortage of investment and innovation.

LGAH is focused on increasing the supply of affordable rented and shared ownership homes. It has two development delivery pathways: it acquires schemes from developers ["developer-led schemes"] which are mainly Section 106 mandated; and it

acquires sites which it then develops to its own specifications ["land-led schemes"]. Once completed, LGAH uses a framework of partner RPs to manage the properties on its behalf. Partner RPs have medium-term management agreements with LGAH.

As of December 2022, LGAH's portfolio contains 5,781 units of affordable housing. Of these, 3,032 (52%) are operational and 2,749 are still in development. Among the operational properties, 2,610 (86%) are currently occupied. LGAH has significant growth plans over the coming years, aiming ultimately to deliver 3,000 homes per year, compared to 1,347 in 2022.

MARKET CONTEXT

THE PROBLEM	The UK faces a chronic shortage of affordable housing. The National Housing Federation estimates the need for delivery of 145,000 affordable homes per year in England alone.* As a result, more and more households are living in inadequate and expensive private rented accommodation and/or stuck on housing waiting lists. Housing associations (HAs) will need to play a key role to play in responding to these challenges. However, they are already facing many financial pressures, including fire safety remediations and the cost of moving properties to net zero.
INVESTABLE SOLUTION	Owing to the scale of the housing market's challenges and the funding shortages faced by HAs, there is an opportunity for private investment. As Legal & General Group has substantial institutional investment seeking low-risk, sustainable long-term revenue streams, it is deploying its capital to help tackle the UK's housing crisis through LGAH, which builds and manages affordable homes for the long term.
IMPACT INTENT	LGAH is aiming to maximise impact in the affordable housing market in three ways: <ol style="list-style-type: none">1 By significantly increasing the supply of affordable homes being built2 By ensuring all LGAH homes are high quality3 By providing best-in-class customer service that positively impacts wellbeing.

*National Housing Federation, 'Our Spending Review submission to end the housing crisis.'
<https://www.housing.org.uk/resources/our-spending-review-submission-to-end-the-housing-crisis/>.

THIS REPORT

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



Impact and sustainability reporting

TGE's impact assessment is calculated with reference to LGAH's impact measurement and management (IMM) framework). The framework is built around LGAH's impact objectives, which describe the key areas under its direct control or influence. Through these objectives, LGAH aims to contribute to positive outcomes for people, places and the planet.

The group's impact objectives relate to two broader sustainability frameworks:

1 The Sustainability Reporting Standard for Social Housing (SRS)

A sector-standard approach to ESG reporting for the social housing sector. It aims to provide a framework for housing providers to report environmental, social and governance (ESG) performance in a transparent, consistent and comparable way. The Standard contains 12 themes and 48 individual criteria across E, S and G.⁴

2 LGAH's Sustainability Framework

Developed by LGAH in 2021 and updated in 2023, this aligns with and supports Legal & General Capital and Legal & General Group's own sustainability objectives. It provides the basis for capturing information on the sustainability performance of its homes and sites.⁵

These frameworks provide an overview of LGAH's sustainability performance as an organisation. LGAH's IMM framework, however, focuses specifically on the impact of its core operations.

The diagram on page 13 demonstrates the alignment between LGAH's IMM framework and its two sustainability frameworks.

4. See Appendix 2 for LGAH's disclosure against the SRS.

5. See Appendix 3 for LGAH's disclosure against its Sustainability Framework.

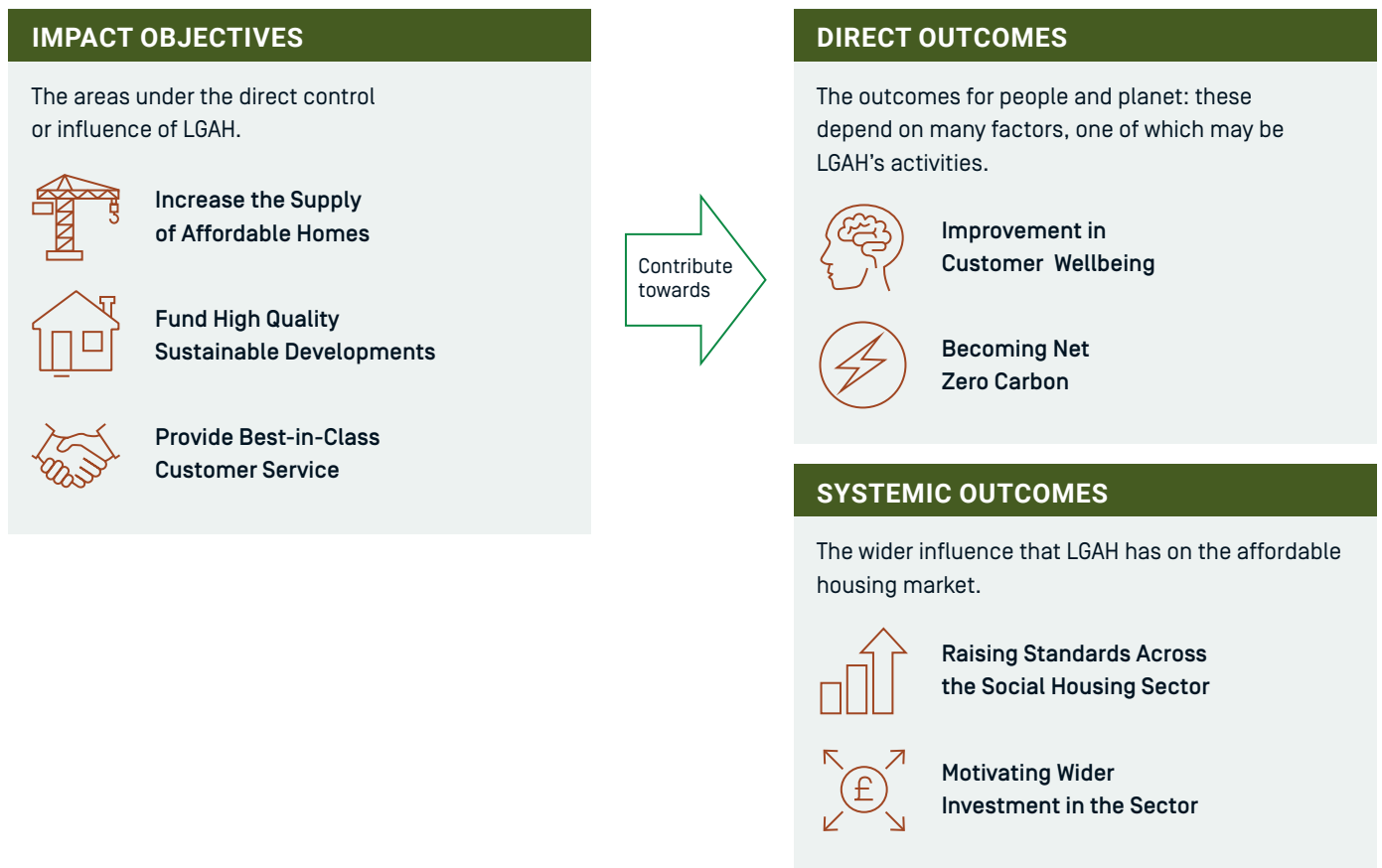
3 / IMPACT MEASUREMENT AND MANAGEMENT

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

Under this overall impact goal, LGAH has worked with TGE to develop an IMM framework. This is designed to identify the activities and target outcomes through which LGAH aims to contribute to positive impact creation for people and planet.

The diagram below provides an overview of LGAH's Impact Measurement and Management (IMM) framework.

LGAH's IMM Framework



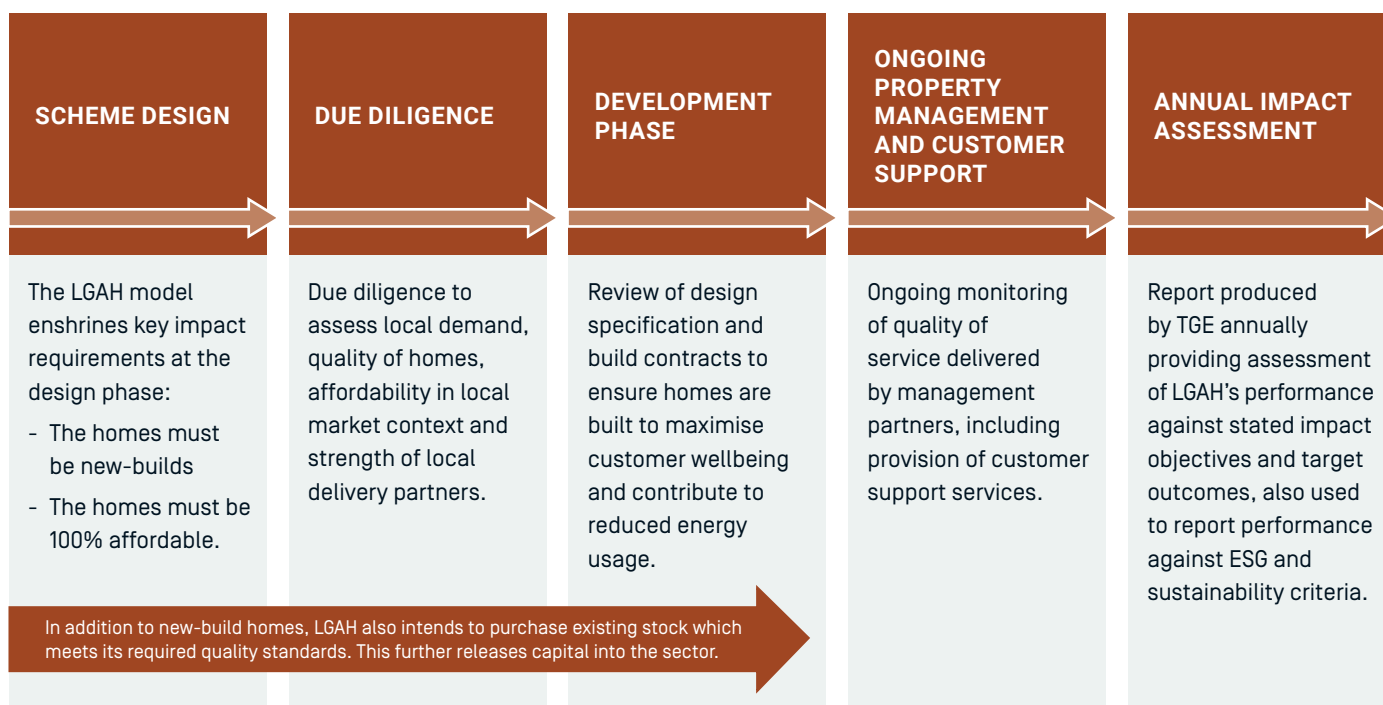
IMPACT MANAGEMENT PROCESS

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

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

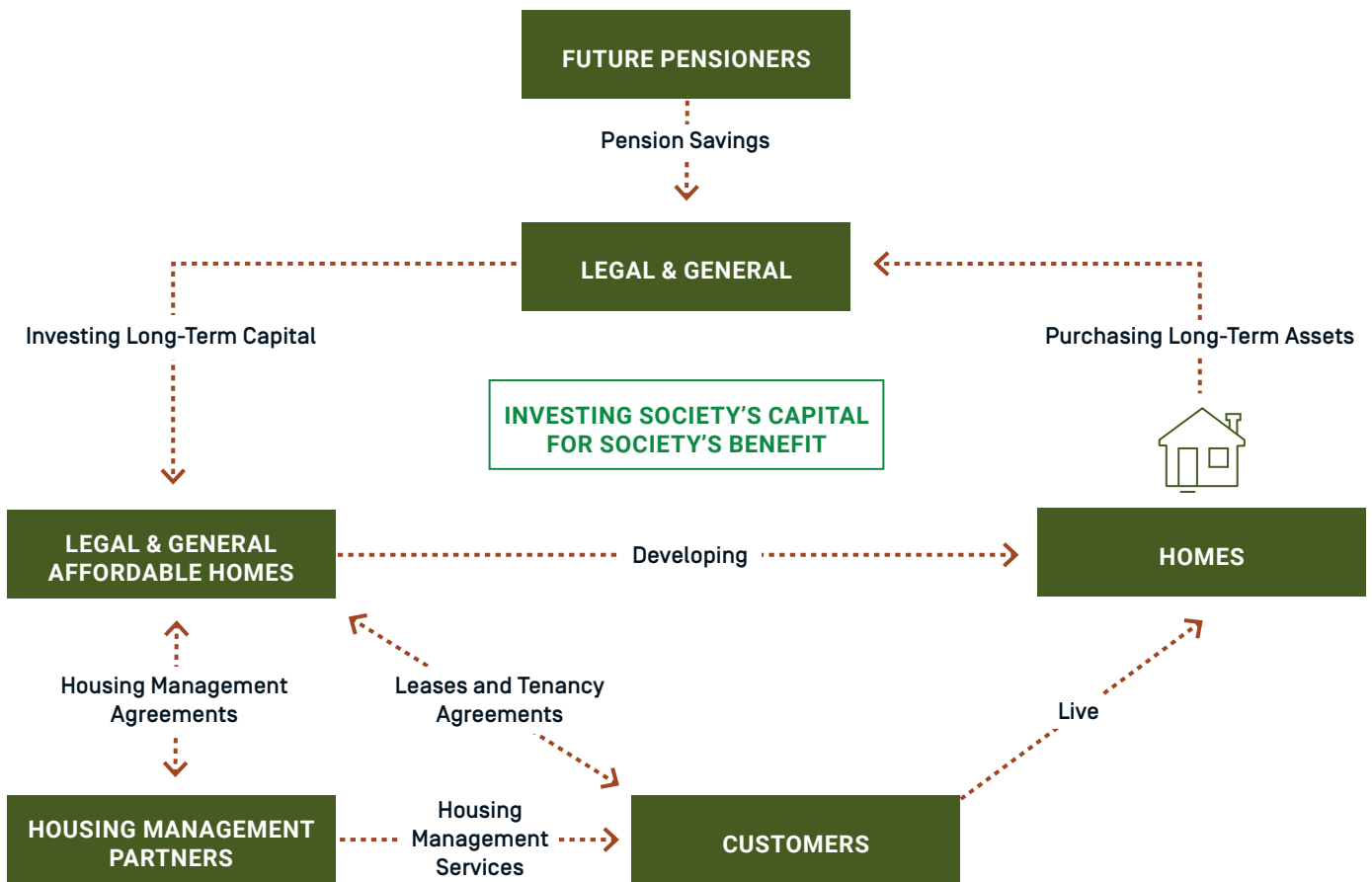
around tools, metrics and reporting. This is a key element of any impact management framework as it ensures that impact is a key consideration in the investment strategy.

LGAH's Impact Management Approach








STAKEHOLDERS



Mapping LGAH's Impact Framework to wider Sustainability Frameworks

The diagram below illustrates the alignment between LGAH's impact objectives and sustainability frameworks:

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

4 / PERFORMANCE AGAINST IMPACT OBJECTIVES





IMPACT OBJECTIVE 1

■ INCREASE THE SUPPLY OF AFFORDABLE HOMES

Increase the delivery of affordable homes using a mix of both land-led and developer-led schemes.

Impact Performance

IMPACT OBJECTIVE	METRIC	RESULT (AS OF 2021)	RESULT (AS OF 2022)	CHANGE FROM LAST 2021
INCREASE THE SUPPLY OF AFFORDABLE HOMES	OPERATIONAL PORTFOLIO ONLY			
	Assets under management – operational homes	£341m	£561m	+£220m
	Total number of operational homes	1,685	3,032	+1,347
	Total number of occupied homes	1,339	2,610	+1,271
	Occupancy rate*	80%	86%	+6%
	Breakdown of operational homes by method of delivery**			
	Developer-Led	91%	96%	+4%
	Land-Led	0%	4%	+4%
	Percentage of operational homes in the 40% most deprived local authorities	37%	46%	+9%
	OPERATIONAL PORTFOLIO AND SECURED PIPELINE			
	Assets under management – operational and pipeline	£1,154m	£999m	-13%
	Total number of homes – operational and pipeline	7,186	5,781	-20%
	Breakdown of all homes by status			
	Operational and under management	23%	52%	+29%
	Pipeline	77%	48%	-29%
	Breakdown of all homes by tenure type			
	Social rent	8%	8%	No Change
Affordable rent (includes intermediate rent + London affordable rent)	50%	48%	-2%	
Shared Ownership	42%	44%	+2%	

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

**148 stock acquisition homes have been excluded from this calculation.

Context

The UK faces a chronic shortage of affordable housing. A joint LGAH and British Property Federation (BPF) research paper, [Delivering a Step Change in Affordable Housing Supply \[March 2022\]](#), stated:

- With 1.2m households on social waiting lists in England, the existing model of supply cannot get close to meeting demand.
- Increasing the annual supply of affordable homes to the required level of 145,000 per year* will require £34bn of additional capital funding per annum.
- Not-for-profit housing associations have a maximum long-run capacity to deliver 77,000 homes per annum with traditional models of capital – likely to be no more than 65,000 in current sector headwinds.
- The solution to the shortfall – Partnership between Government, housing associations, and institutional investors. Given that debt is readily available, the key constraints for the sector revolve around subsidy provision

and equity finance.** 145,000 homes per annum will require c. £10bn of additional equity funding and £9-14bn of additional subsidy per annum.

Partnerships with equity investors – such as LGAH – offer registered providers (RPs) the possibility of growth beyond the constraints of existing capacity. This is achieved through enabling growth in operations and development activity while assets are owned by third parties and releasing funds to reinvest into new social housing.

*National Housing Federation, 'People in Housing Need 2021', <https://www.housing.org.uk/resources/people-in-housing-need-2021/>.

**This was the case in March 2022. Today, with rising interest rates and a more constrained debt funding environment, the need for subsidies and equity is even greater.

Supply

As of December 2022, LGAH had a secured pipeline of 5,781 homes. Of these, 3,032 (52%) are operational and under LGAH's management, and 2,749 (48%) are in the pipeline. This amounts to £999m AUM, with £561m invested in operational homes.

LGAH almost doubled the number of operational homes in its portfolio from 2021 to 2022 and continues to bring significant capital to the sector. As such, it is helping to close the affordable housing funding gap.

However, due to the macroeconomic environment – inflation increases, supply chain disruption and other challenges – LGAH's pipeline has slowed down. The overall volume of homes secured pre-completion has decreased since 2021, indicating a slower pace of growth than originally anticipated. LGAH suggested that contracted developer-led schemes had not been subject to changes in economic headwinds as the price agreed is fixed, and the cost risks tend to sit with the developer. The pipeline of potential schemes, however, has been more heavily impacted and reduced accordingly. LGAH maintains its ambition to deliver 3,000 homes per year, but recognizes the target is likely to take longer to reach than previously anticipated.

LGAH almost doubled the number of operational homes in its portfolio from 2021 to 2022 and continues to bring significant capital to the sector. As such, it is helping to close the affordable housing funding gap.

Occupancy

Of LGAH's portfolio of completed homes, 2,610 are occupied as of December 2022, an occupancy rate of 86%, up 6 percentage points year-on-year.

Occupancy rates for homes completed between 2016-2019 are higher than new homes and in line with the median sector rate of 99.5%.⁶ Lower occupancy rates for newer developments are to be expected, as occupancy takes time to establish.

PRACTICAL COMPLETION YEAR	OCCUPANCY
2016*	100%
2017	100%
2018	100%
2019	99%
2020	95%
2021	93%
2022	75%

*LGAH became incorporated in 2018. 148 shared ownership homes completed in 2016-2019 account for most of the figures between those dates. These were purchased by LGAH in 2020 and 2021 in two lots.

Affordability

LGAH demonstrates best-in-class commitment to affordability. Rents are on average significantly below local market rates and over two thirds are at or below the Local Housing Allowance. However, a quarter of the rental portfolio is unaffordable to those earning below the local median income and a small proportion of its more expensive shared ownership homes may pose affordability challenges for residents.

LGAH's affordability policy outlines key affordability thresholds across tenure types. For affordable and social rent, LGAH considers rent affordable if total housing costs (rent and associated service charges) fall within 35% of net income. For shared ownership, LGAH follows the Homes England Capital Funding⁷ which states that total housing costs (rent and associated service charges) should amount to more than 45% of net income in most circumstances (although up to 50% can be charged). This is in addition to any stipulations of maximum income eligibility and income to property value ratio for mortgage lending.

LGAH adjusts rent annually, committing to increases in line with government guidelines. In the past, this has typically involved annual increases of CPI plus up to 1% for social, affordable, and London affordable rent tenure types. In 2023, however, rental increases are subject to the government mandated 7% rent cap, established to protect tenants following months of double-digit inflation. TGE will monitor LGAH's application of this rent cap and report on it in the next impact report.

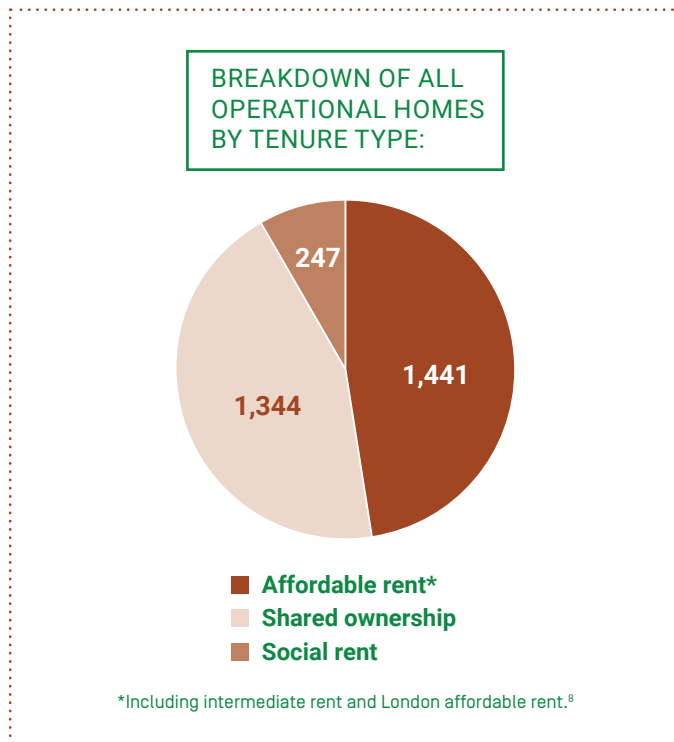
From reviewing LGAH's affordability policy, and from conversations with its operations team, we understand that LGAH implements a more evidence-based approach to affordability than many peers in the sector. This involves analysis to understand what rent level is defined as affordable for the 30th percentile of economically active households in the area, as well as benchmarking against local rents.

6. [Housemark – 2022 Sector Scorecard Analysis Report](#).

7. [Homes England Capital Funding Guide](#).

Tenure

Figure 1: Tenure type of operational homes in LGAH's portfolio



LGAH rents compared with local open market rents

LGAH demonstrates a commitment to supplying homes that are significantly below local open market rates. In line with its Affordability Policy, none of its rental homes exceed 80% of open market rents and, on average, residents pay 66% of the amount they would pay to rent equivalent sized homes on the local open market.⁹ London affordable rent homes represent the biggest reduction from the open market at 51%, while social rent is also relatively low at 56%. Affordable and intermediate renters pay on average 67% of local market rents.

Larger properties offer the largest reductions. The average four-bedroom LGAH home costs 59% of the rent of an equivalent sized home on the open market, while LGAH's one-bedroom homes average 67% of local open market rents and two-beds come out at 68%.

LGAH rents compared with Local Housing Allowance (LHA)

Across the LGAH rental portfolio, 69% of homes are at or below the LHA rate.¹⁰ Of the portfolio's social rent and affordable rent homes – which take households from the local authority's housing waiting list and are likely to be in receipt of LHA – with all the social rent units at or below LHA. On average, LGAH's homes are set at 97% LHA across the portfolio. This is a good indicator that these homes will be affordable to the lowest income groups, as these are the most likely to receive LHA.

However, it should be noted that in areas of severely constrained affordability where LHA is high, low-income households subject to the benefit cap may still struggle to afford these homes. This is caused by the high LHA, combined with other benefits exceeding the amount that households are eligible to receive, under the conditions of the benefit cap.

LGAH rents compared with local household earnings

To assess the affordability of LGAH's rental portfolio, we have calculated for each home the monthly income required for households to not be overburdened by their housing costs.¹¹ We then compared this information with data for the relevant local authority to determine the proportion of local households for which each home is defined as affordable.¹²

Across LGAH's rental portfolio:

15% OF HOMES ARE AFFORDABLE TO HOUSEHOLDS EARNING BETWEEN THE 10TH AND 20TH PERCENTILE OF LOCAL EARNERS

42% HOMES ARE AFFORDABLE TO HOUSEHOLDS EARNING BETWEEN THE 10TH AND 30TH PERCENTILE OF LOCAL EARNERS

59% HOMES ARE AFFORDABLE TO HOUSEHOLDS EARNING BETWEEN THE 10TH AND 40TH PERCENTILE OF LOCAL EARNERS

74% HOMES ARE AFFORDABLE TO HOUSEHOLDS EARNING BETWEEN THE 10TH AND 50TH PERCENTILE OF LOCAL EARNERS

ON AVERAGE, HOMES ARE AFFORDABLE TO 60% OF LOCAL HOUSEHOLDS

While this data shows that 74% of LGAH's homes are affordable to households earning the local median income, it also indicated that a quarter of the rental portfolio is only affordable to relatively higher-earning households (those in the top 50% of earners locally).

8. Affordable rent – rent charged up to a maximum of 80% of the market rent, aimed at low income households on local authority waiting lists. Referred to as London affordable rent within London which is a separate rent model below 80% market rent set by the Greater London Authority (GLA) for all new build properties where the local authority has adopted this rent principle. Intermediate rent – aimed at low to middle-income households who may not be eligible for social or affordable housing but still require assistance in accessing affordable housing. In LGAH's case, properties are also offered up to a maximum of 80% local market rent.

9. Open market data is provided by CBRE for homes of equivalent bedroom numbers and locality to LGAH's portfolio, based on live rent data sources.

10. LHA is set at 30% of the local open market rent level for the Broad Rental Market Area. Different levels of LHA are calculated based on the number of people in a household/ bedroom required. LHA has been frozen since 2020.

11. A household is defined as overburdened when more than a third of net income is spent on housing costs (i.e. rent).

12. NSO – Earnings and Hours Worked, place of residence by local authority: ASHE Table 8 – 2022. Where information was not available for income distribution at the local authority level, we deferred to the next geographic boundary up (e.g. relevant county) – this was applied to approximately 31% of the rented portfolio.

LGAH Shared Ownership affordability

To assess the affordability of LGAH's shared ownership portfolio, we conducted a similar analysis to that outlined above. Using the information on property prices, rental costs, service charge and the value of first tranche sales, we calculated how much income households would require so as not to be overburdened by housing costs. This information was then compared with local household earnings data to determine the percentage of households for which LGAH's shared ownership homes can be defined as affordable.¹³

2% OF HOMES ARE AFFORDABLE TO HOUSEHOLDS EARNING BETWEEN THE 10TH AND 20TH PERCENTILE OF LOCAL EARNERS

8% OF HOMES ARE AFFORDABLE TO HOUSEHOLDS EARNING BETWEEN THE 10TH AND 30TH PERCENTILE OF LOCAL EARNERS

23% OF HOMES ARE AFFORDABLE TO HOUSEHOLDS EARNING BETWEEN THE 10TH AND 40TH PERCENTILE OF LOCAL EARNERS

40% OF HOMES ARE AFFORDABLE TO HOUSEHOLDS EARNING BETWEEN THE 10TH AND 50TH PERCENTILE OF LOCAL EARNERS

ON AVERAGE, HOMES ARE AFFORDABLE TO 48% OF LOCAL HOUSEHOLDS

These results show that LGAH's shared ownership portfolio mostly serves relatively higher earners, with more than half of homes (60%) affordable only to those earning above local median income. This is largely to be expected, as shared ownership is a principally designed to serve median earners, specifically targeting provisional first-time buyers who cannot afford the full market cost of a property.

There are, however, a portion of LGAH's shared ownership homes which primarily serve relatively higher earners. Our analysis shows that approximately 7% of the shared ownership portfolio is affordable only to households earning more than the maximum permitted eligible for shared ownership (household income of £80,000 outside London, and £90,000 in London).



These results suggest that these households are likely to be spending more than 33% of net income on their monthly housing costs, the ratio on which our affordability analysis is based. Homes England guidance states that no more than 45% of net income should be spent on shared ownership housing costs. But this is intended as an upper limit, and we consider 33% to be a more sustainable level. We acknowledge that it is common, particularly in London, for households to spend more than 40% of net income on rent. And we note that such residents will have passed affordability tests required by lenders. Nonetheless, it appears that a portion of shared ownership homes in LGAH's portfolio are not affordable to the intended target households – and this is an area of concern.

13. NSO – Earnings and Hours Worked, place of residence by local authority: ASHE Table 8 – 2022. Where information was not available for income distribution at the local authority level, we deferred to the next geographic boundary up (e.g. relevant county) – this was applied to approximately 17% of the shared ownership portfolio.

LGAH portfolio spread in areas of deprivation/low affordability

60% OF PROPERTIES IN LGAH'S PORTFOLIO ARE IN THE 40% LEAST AFFORDABLE LOCAL AUTHORITIES IN ENGLAND

46% OF PROPERTIES IN LGAH'S PORTFOLIO ARE IN THE 40% MOST DEPRIVED LOCAL AUTHORITIES IN ENGLAND

LGAH Geography by Deprivation and Housing Affordability

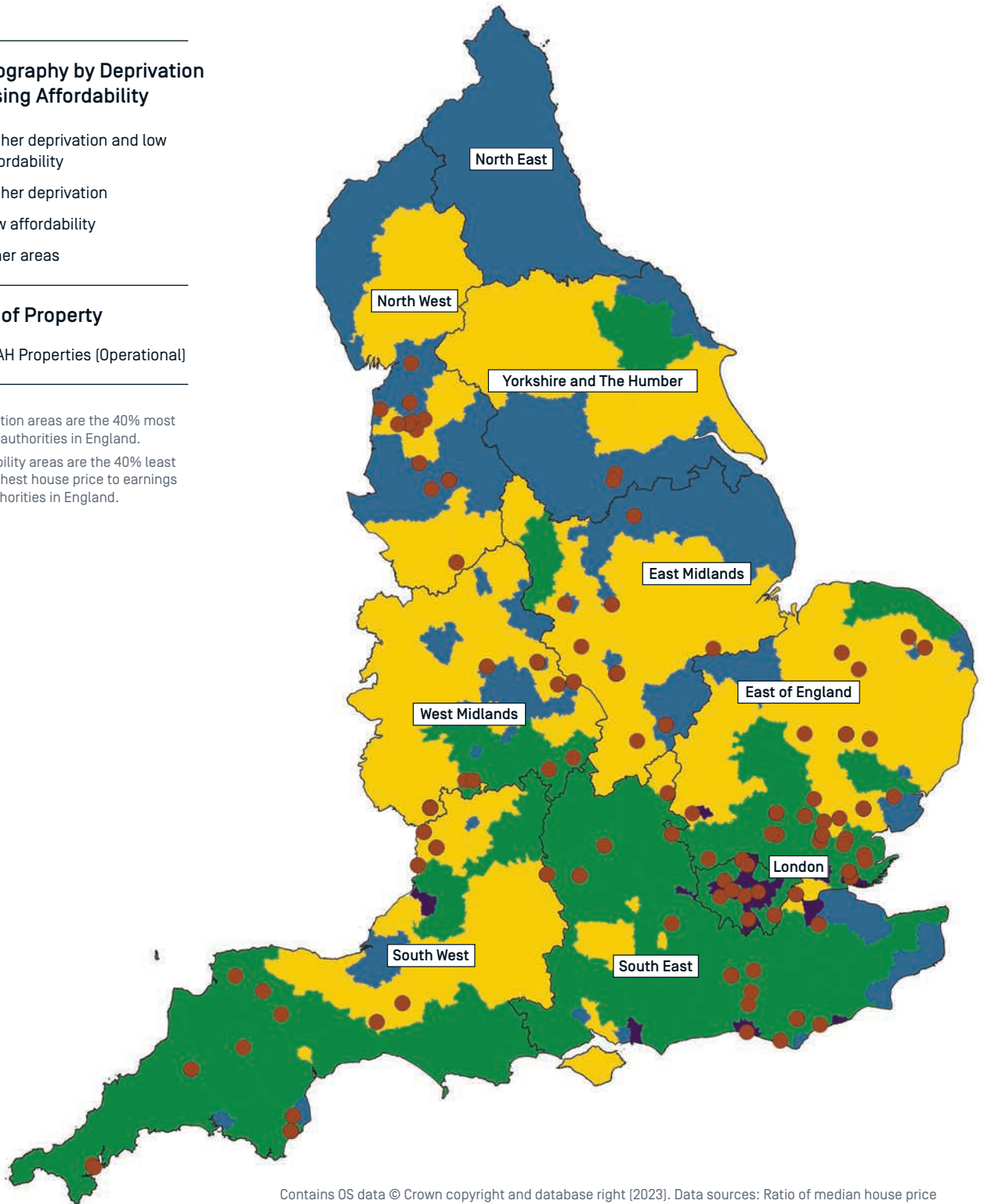
- Higher deprivation and low affordability
- Higher deprivation
- Low affordability
- Other areas

Location of Property

- LGAH Properties (Operational)

Higher Deprivation areas are the 40% most deprived local authorities in England.

Lower Affordability areas are the 40% least affordable (highest house price to earnings ratio) local authorities in England.



Contains OS data © Crown copyright and database right (2023). Data sources: Ratio of median house price to median gross annual residence-based earnings by Local Authority district, 2022 (ONS). English Indices of Deprivation (IMD) (2019) – % of Local Authority's neighbourhood areas (LSOAs) in the 20% most deprived nationally.

Resident View: Affordability

At LGAH's Vauxhall scheme, we spoke to two resident interviewees who were part of working couple households with London affordable rent one-bed homes who found the rent affordable.

One was a single mother working full time with a three-bed general needs affordable home. While housing benefit covers her rent, she finds costs a struggle and frequently visits food banks. When she moved in, the apartment did not have furniture and white goods. She was unsuccessful in getting funding for this from Southern, which had a limited budget available to cover upfront costs for households in need. She reported that this made her first months a challenge.

LGAH's general needs rented housing is not provided with furnishings or white goods. This is industry standard as customers often prefer to bring items from their previous property. LGAH goes beyond minimum standard by ensuring flooring is laid and homes are decorated and ready to occupy. Where customers need furniture and are struggling financially to purchase essential items, LGAH expects its network of Management Providers to offer support or signposting, for example to local charities. Where this is not happening, we recommend LGAH considers bolstering provision for households in need, for example through its new Customer Support Fund which is currently targeted at supporting households experiencing one-off shocks with rental payments.

Impact Risks

We assess that the following risks apply to **Increase the supply of Affordable Homes**:

RISK	LIKELIHOOD	SEVERITY	DESCRIPTION
<p>External risk</p> <p>The probability that external factors disrupt LGAH's ability to deliver the impact</p>	<p>Medium</p>	<p>Medium</p>	<p>Supply: The macroeconomic environment has slowed down the LGAH pipeline and delayed its ambition to deliver 3,000 sites a year. There is a risk it will be impacted further, limiting LGAH's ability to increase the supply of homes in the affordable sector. However, we assess this to be a case of slower progress than hoped, rather than a sign that LGAH is not achieving goals.</p> <p>Affordability: Inflationary pressures are creating affordability challenges across the country. Even with LGAH's rigorously applied affordability criteria, residents may struggle with rents.</p> <p>Mitigation: Support proactive engagement of tenants by Managing Partners, and support for those struggling with rents. Rigorous affordability screening on entry to homes.</p>
<p>Execution risk</p> <p>The probability that the activities are not delivered as planned or do not have the desired outcome</p>	<p>Low</p>	<p>Medium</p>	<p>LGAH's affordability policy allows for significant investment in homes that – while meeting an identified housing need – are not affordable to those on the lowest incomes. We note that LGAH needs to still meet its return expectations and that it will have a mixed portfolio of homes, affordable to a range of household types in line with Section 106 requirements. However, there is a risk of the portfolio becoming weighted towards lower need groups.</p> <p>Mitigation: Introduction of targets, such as allocation a proportion the portfolio to social rent homes or designing new measures around affordability for lower-income groups. Possible thresholds around provision of homes only affordable to households above the median income.</p>



IMPACT OBJECTIVE 2

■ FUND HIGH QUALITY SUSTAINABLE DEVELOPMENTS

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

Impact Performance

IMPACT OBJECTIVE	METRIC	RESULT (AS OF 2021)	RESULT (AS OF 2022)	CHANGE FROM LAST 2021
FUND HIGH QUALITY SUSTAINABLE DEVELOPMENTS	Distribution of EPC ratings			
	A	10%	1%	-9%
	B	85%	96%	+11%
	C	1%	1%	No change
	D	2%	1%	+1%
	E	1%	0%	-1%
	Percentage of homes that meet National Space Standards (NSS)	61%	58%**	-3%
	Average daylight factor	Data unavailable	Data unavailable	Information was unavailable in 2021
	Percentage of homes within 400m of 2ha green space ¹⁴	Data unavailable	51%	
	Percentage of homes with food growing space	Data unavailable	<1%	
	Percentage of homes with electric vehicle charge point and/or access to electric car club ¹⁵	Data unavailable	8%	
	Percentage of construction materials constituted from recycled material	Data unavailable	Data unavailable	
	Percentage of homes built with timber frame construction	Data unavailable	29%*	
	Percentage of homes built using modular methods of construction	Data unavailable	<1%	
	Percentage of homes smart controls linked to smart metering	Data unavailable	7%	
Percentage of construction materials achieving A+ or A BREEAM Green Guide	Data unavailable	Data unavailable		
Percentage of homes with access to bike storage	Data unavailable	99%		

*These figures only represent homes where data is available.

**Note the 2022 figure has been calculated using a more accurate method compared to the 2021 figure. This is because for 2022, we had additional information on the number of people a home is intended for, and the number of storeys per home, where last year we relied on assumptions for these inputs.

14. Data reported for operational homes.

15. 8% of operational schemes with full data availability, 61% of schemes with full and partial data availability.

Context

The quality and sustainability of people's homes has a significant influence on residents' mental and physical health.

In 2022, the issue of social housing quality in the UK received increased public scrutiny, triggered in part by the tragic death of two-year-old Awaab Ishak. The government outlined its approach to improving the quality of social housing,* as set out in the Levelling Up and Regeneration Bill,** with an ambition to halve the number of non-decent rented homes by 2030 and a commitment to naming and shaming failing landlords. This built on the commitment of the 2020 Social Housing White Paper for residents "to have a good quality home and neighbourhood to live in".***

*Government approach to improving social housing quality [March 2022].

**Levelling Up and Regeneration Bill – Introduced to Parliament May 2022.

***Social Housing White Paper, 2020.

The UK also faces a significant challenge over the sustainability of its housing stock. To reach its Net Zero 2050 target, the government has recommended that all homes should meet the threshold of an EPC Grade C by 2035 where practical, cost-effective, and affordable. Increasing the sustainability of housing stock reduces overall emissions as well as reducing household heating bills and ensuring homes remain fit for purpose.

LGAH continues to fund high-quality, sustainable housing which meets customer needs.

LGAH aims to drive exemplary quality and sustainability standards through its portfolio. This is outlined in a detailed set of design objectives outlined within its Sustainability Strategy, which set ambitious standards across its six sustainability categories:

1 SOCIAL VALUE

At the core of LGAH

- Enabling financially sustainable lives
- Improving learning opportunities
- Ensuring digital connectivity
- Enabling social connectivity

2 HEALTH AND WELLBEING

Helping our residents to enjoy their homes

- Better internal environments inside homes
- Passive measures to manage heat and ventilation
- Consider daylight and the Albedo effect
- Consider acoustic insulation
- Only low Volatile Organic Compound (VOC) materials

3 ENVIRONMENTAL QUALITY

The benefits of living with nature

- Plan with Urban Design for Mental Health standards
- Design buildings with nature standards
- Provide food growing spaces
- Pollinator friendly, drought tolerant planting
- Design in places to sit, pause and chat

4 RESOURCES MANAGEMENT

Efficiency in how resources are used

- Use a materials hierarchy with embodied carbon at it's core
- Design for whole life circularity
- Design for adaptation and future re-use
- Spec for <75 litres of potable water per person per day

5 ENERGY AND CARBON

Help our residents to live zero carbon lifestyles

- Plan and design from an energy hierarchy
- Focus on primary design and fabric efficiency
- Consider Whole Life Carbon; embodied and operational
- Deliver Net Zero Carbon enabled homes to our residents

6 TRAVEL AND MOBILITY

Enable active travel and smart mobility for our residents

- Enable access to affordable public transport
- Consider smart mobility, the importance of the first and last mile
- Design in continuous cycle and walking routes
- Provide secure cycle storage
- Provide all homes with EV charging points

Environmental performance of LGAH's stock

LGAH is primarily able to influence design through its land-led developments, as developer-led schemes are generally acquired too late to influence. LGAH's land-led homes are not yet operational. Once they are, we expect to see considerable quality and environmental performance improvements, in line with the group's Sustainability Strategy.

LGAH interviews referred to the challenges in achieving its ambition to deliver to Future Homes Standards ahead of the 2025 deadline, in its developer-led stock. Acquired assets have mostly been built in line with Part L Building Regulations¹⁶ and LGAH estimates it would cost £30,000-40,000 per home to bring these homes up to the Future Homes Standard. Moreover, certain required actions – such as removing (new) gas boilers to replace with air source heat pumps – would have negative ramifications in terms of waste and embodied carbon.

We see evidence of strong energy efficiency potential across LGAH's operational assets. Among completed properties, 97% are rated EPC B+. This is a 2% increase from 2021 and means that LGAH homes rank considerably ahead of other new-build housing in England and Wales, where 87% of new homes are rated EPC A or B.¹⁷ There was also a small change in the units rated lower at D and E (1%). We would encourage rapid retrofit of these homes, mindful of the current LGAH component lifetime replacement approach which is designed to avoid considerable upfront cost and resident disruption.

LGAH began reporting on its agreed sustainability measures during 2022 but does not have data for all its homes. Where there is data, the measures indicate that LGAH is performing well on certain indicators, such as access to bike storage (99% of schemes) – in line with building regulations. However, it is performing poorly on others, such as the percentage of homes built using modular methods of construction and homes with food growing space (both <1%).¹⁸ Poor performance on these metrics can largely be attributed to the lack of influence that LGAH has on scheme designs for developer-led acquisitions.

LGAH has noted that since agreeing these indicators, it has begun reporting against a range of additional environmental metrics in line with Science Based Targets Initiative (SBTi) commitments.¹⁹ We believe that LGAH would benefit from a consolidated metric set and reporting framework.



Quality of homes and customer experience

58% of LGAH's homes meet National Space Standards (NSS), a 3% decrease from 2021. However this year's figure has been calculated using a more accurate method, with fewer assumptions due to greater availability of data. Overall, this represents a relatively low proportion of homes compliant with NSS. We believe LGAH homes should largely comply with NSS and suggest that the group continues to drive improvements in this area, acquiring reasonably sized homes which meet NSS, wherever possible. Where homes are acquired below NSS, a strong case for impact should be made – such as smaller homes enabling affordable housing in areas where affordability is a significant issue. Also, we note that a large proportion of LGAH's homes are only marginally below NSS – across the portfolio, 95% of homes meet at least 80% of NSS.

LGAH is developing a new platform – Brolly – so that residents will be able to log complaints and request repairs and/or maintenance work online. LGAH believes this will make the repairs and maintenance process more efficient and effective, with the ultimate goal of improving the customer experience.²⁰

16. Part L of Building Regulations – Conservation of fuel and power.

17. Department for Levelling Up, Housing & Communities, 'Energy Performance of Buildings Certificates Statistical Release: October to December 2022 England and Wales'.

18. Based on the schemes which have provided data.

19. <https://sciencebasedtargets.org/>.

20. See page 29 for more detail on this platform.



Vauxhall site visit

LGAH's 90-home scheme, comprising a mix of affordable tenures, forms part of the Section 106 requirement of Battersea's Nine Elms regeneration programme. The wider development consists primarily of private luxury blocks marketed to international investors, with limited affordable provision.

LGAH reports extensive engagement with the developer and local authority to ensure the scheme's quality was balanced its overall affordability for residents. They noted "the facilities ... are some of the most attractive amenity spaces we have seen in the affordable housing sector." Despite some negative press around the scheme's differentiation between its affordable and private provision, our observations were generally positive.

LGAH's homes are in a desirable central London location, close to the river Thames and Vauxhall's excellent transport links. We found the homes and shared spaces were delivered to a high standard compared with other new homes of similar tenure. While they cannot access amenities in private blocks, LGAH residents can access all the shared amenities within their tower including a large children's play area and social and working space. Externally, LGAH's affordable 'south' tower and its twin private 'north' tower look similar – although there is onsite concierge for the private tower paid for by a higher service charge, and higher specification for interiors and shared amenities covered by higher rent/sale price.

LGAH generally promotes interspersing or 'pepper-potting' affordable and private tenures through schemes to prevent feelings of segregation and promote community cohesion, in line with best practice. However, the costs of doing so in this case would have been prohibitive for customers – which is sometimes the case in large scale urban developments that deliver high specification homes.

We spoke to three [randomly selected] residents who were happy with their homes,²¹ despite being aware of the different specifications and amenities in the wider development – acknowledging the cost difference to residents in terms of rent/sale price and service charge.

One resident commented that her new home was much better for her and her two children than their previous home, with the improved environment changing how they experienced life:

"I feel blessed every morning ... , living here definitely uplifts my spirit."

21. This small sample cannot be taken as representative of views across the block.

Feedback from residents and housing managers

All three of the housing managers we spoke to highlighted LGAH's commitment to quality.

One housing manager said it was clear that LGAH is focused on outcomes and is not willing to negotiate on quality. The housing manager went on to say that LGAH is not just interested in build quality but the decorative and living aspects of a home as well. This includes ensuring that all homes are carpeted before residents move in and aiming to make the entire moving-in process as stress-free as possible.

All eight households TGE spoke at the three schemes we visited were generally positive about the quality of their homes, although we have noticed minor quality issues.

We spoke to two households on our visit to the LGAH scheme in Oxford. Both said they were pleased with the size and quality of their homes relative to where they previously lived. They also appreciated the proximity of local amenities. One resident praised the scheme's quiet, residential feel and the fact that she had outdoor space for her kids to play in. Residents at another house

mostly echoed these comments, while pointing out that there was a small amount of damp and mould around the windows of their bedroom, and some issues with leaks. However, the residents had yet to report this issue. One of the units in this building, which is a new build, is also undergoing refurbishment as there was a leak from the flat above. We have heard that LGAH is aware of this leak and implementing a review of the scheme.

On our visit to an LGAH schemes in London, all three households we spoke to were positive about the quality of their home, saying their flats stay relatively warm during winter and are close to nearby amenities. However, one resident noted that the flat becomes very hot during the summer and does not have air conditioning, and they do not want to keep the windows open because there is too much traffic outside. Two residents highlighted the lack of parking space available for tenants at the scheme, pointed out that they are forced to store their vehicles elsewhere at a high cost.

We noticed that residents may not have been fully aware of LGAH and the housing manager's policy on household pets. We recommend that LGAH – through its RP managing partners – clearly articulates its expectations around pets clearly to residents before they move in.

Impact Risks

We assess that the following risks apply to **Fund High Quality Sustainable Developments**:

RISK	LIKELIHOOD	SEVERITY	DESCRIPTION
External risk The probability that external factors disrupt LGAH's ability to deliver the impact	Medium	Medium	LGAH representatives spoke of the challenge to stay profitable and account for the 'green premium' – i.e. the increased costs associated with delivering homes to a high environmental specification. There is a risk that in the current macroeconomic environment inflated costs could lead to more compromises on sustainability credentials. Mitigation: Embed processes to ensure the Sustainability Strategy's minimum standards are upheld.
Execution risk The probability that the activities are not delivered as planned or do not have the desired outcome	Low	Medium	LGAH's levers to deliver its sustainability ambitions are limited in developer-led schemes. There is a risk that if the portfolio continues to consist mainly of these schemes (with a smaller pipeline of land-led), LGAH may not achieve its ambitions on the scale originally anticipated. Mitigation: Continue to push for improvements as far as possible within the developer-led portfolio. Where possible, influence the design specification. Maximise potential of the land-led.



IMPACT OBJECTIVE 3

■ PROVIDE BEST-IN-CLASS CUSTOMER SERVICE

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

Impact Performance

IMPACT OBJECTIVE	METRIC	RESULT (AS OF 2021)	RESULT (AS OF 2022)	CHANGE FROM LAST 2021
PROVIDE BEST-IN-CLASS CUSTOMER SERVICE	Number of housing management partners	14	13	-1
	Net Promoter Score [overall customer experience]	55	59	+4
	Number of complaints referred to the Housing Ombudsman in the last 12 months ²²	0	3	+3

Context

One third of social housing residents experience problems accessing simple housing management services (repairs, tenancy changes, issues in their neighbourhood). Such challenges can have a severe impact on resident wellbeing.

The 2020 Social Housing White paper recognised the need for residents to hold their housing managers to account for the

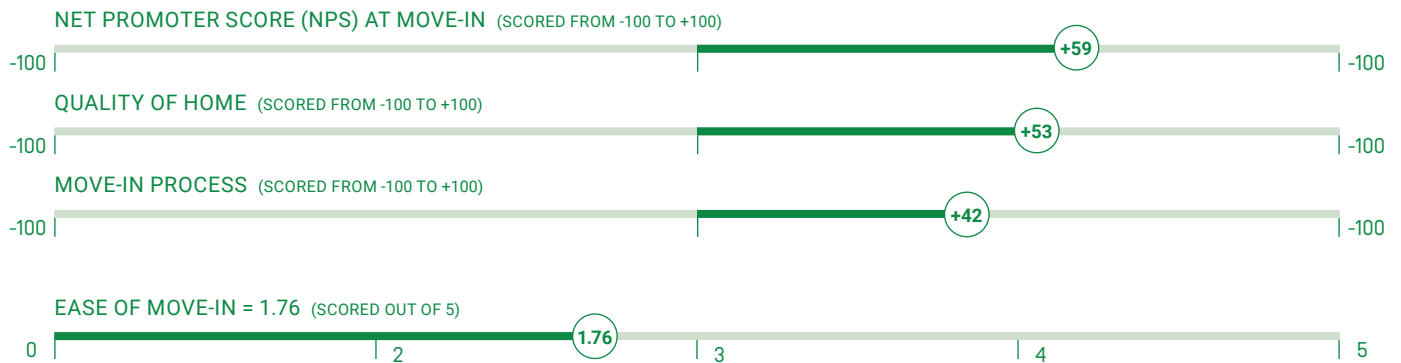
quality of their homes and service provision. Its commitments are supported by the RSH's requirement for RPs to regularly collect a coherent set of Tenant Satisfaction Measures (TSMs). This will support accountability through transparency and sector benchmarking once survey data starts to come through.

LGAH has a resident-centered approach and prioritises customer service. This defines how it manages partnerships and can be evidenced by an improvement in its Net Promoter Score (NPS) and positive feedback from partner RPs.

22. The outcomes are; 1 maladministration, 1 no fault and 1 under investigation.

Resident Feedback

At the point of move-in, residents are provided with an onboarding survey. During 2022, a total of 358 onboarding surveys were completed. The results were as follows:



LGAH's Net Promoter Score for overall customer experience is 59, a four-point increase from 2021.

As scores over 50 are usually considered excellent, this is a sign of high standards of customer service.²³ However, results may be positively skewed as residents are surveyed immediately post move-in and therefore have not experienced the full breadth of housing management services. We will continue to monitor NPS scores, and in future seek also to analyse survey data from residents once they have settled into their homes.

Results for December were negatively influenced by lower scores from shared owners, and this dragged down overall averages for the year. Shared owners gave the following reasons for their poorer scoring – delays, snagging issues, lack of cleanliness, and not knowing how to operate homes. LGAH has since made follow-up calls to all shared owners who moved in during December, to address any issues. LGAH has also targeted home demonstration delivery as an area for improvement, after residents complained that they were struggling to operate their homes.

Resident engagement

The onboarding survey also gives residents the option to join the LGAH Informal Customer Panel. This was set up to ensure that residents' views are represented on a range of topics and, as of December 2022, 199 residents had volunteered.

Topics under discussion include:

- **Value within the home** – if there was an extra £1,000 available to spend on your home, what would make the most difference?
- **Cost-of-living** – how are you managing? What (if anything) have you had to cut back on?
- **Language and communication with residents** – how can we make sure policies and tenancy agreements are presented using clear, jargon-free language, which is easy for everyone to understand?

In the cost-of-living research, 25 residents responded to the panel request for information. Despite the relatively small sample in relation to LGAH's overall portfolio, the findings offer clear insights into residents' experience of the macroeconomic situation:

- Over half are very concerned about the rising cost of living, with 80% having already cut back.
- 24% are getting into debt or missing payments.
- 12% have taken out credit or borrowed to manage their outgoings.

When probed, few said they would speak to their management provider in case of hardship, preferring to go to family first. Such reticence indicates there may be a need for more proactive support and advice in this area.

It is early days for the customer panel, but we see it as a positive initiative, helping LGAH to better understand its residents and their needs. Feedback has not directly informed LGAH's high level decision-making to date, but TGE will continue to monitor this through 2023 and beyond.

23. www.qualtrics.com/uk/experience-management/customer/good-net-promoter-score/.

Digital platform development

LGAH is developing a bespoke housing management platform consisting of a Salesforce centric cloud deployment called Brolly, which aims to deliver a more efficient and customer-focused service.

This will include modules for:

- Tracking developments
- Asset management
- Letting and onboarding
- Health and safety
- Tenancy and leasehold (including complaints)
- Repairs and maintenance.

The 2022/2023 build programme includes the addition of a customer portal, rent and service charges and further enhancements. LGAH plans to complete the customer-facing portal in Q2 2023. LGAH has informed us that they are working with several housing managers and residents to test the service. LGAH hopes that using Brolly as the primary system of record facilitation enabling them to access reliable, consistent data at source across their assets will bring significant benefits. For example, LGAH aims for the efficiency gains from the platform to significantly improve the customer experience and allow for faster repairs and maintenance.

Management partners and monitoring service quality

LGAH has 13 housing manager partners, who deal with day-to-day management of the portfolio. Every manager must sign a management agreement, obliging them to meet minimum governance and viability standards. Under these standards, all RPs must have an RSH rating of G2/V2 or higher. If a managing partner is not an RP, LGAH will work with them to develop equivalent standards.

LGAH also requires regular updates on service quality. Management partners provide LGAH with a full report on all housing management issues at least once a quarter. They also report monthly on performance, including operational KPIs and behaviours relating to customer service quality.

If a partner fails to meet minimum standards in any reporting period, LGAH will engage with them, calling for tangible action to enhance their service delivery. If the partner continues to fall short, LGAH retains the right to step-in and deliver any services the partner is failing to provide.

All housing managers interviewed were positive about the benefits of the partnership and praised LGAH's high standards and customer centered approach. One housing manager said LGAH's high standards served as a mirror to their own organisation, pushing them to strive to improve their services.

“We have a great relationship with LGAH and appreciate the two sides being able to learn from one another.”
– RP Representative

Criticism was relatively minor. Some spoke of tight deadlines for big pieces of work and limited feedback afterwards from LGAH. Some commented on amount of work required to align their systems and processes with LGAH's requirements. Some also suggested that LGAH could use its brand and voice more effectively to drive positive change across the sector. However, they all felt supported by proactive, flexible and communicative LGAH representatives.

Impact Risks

We assess that the following risks apply to **Provide Best-in-class Customer Service**:

RISK	LIKELIHOOD	SEVERITY	DESCRIPTION
Evidence Risk	Low	Medium	<p>Reliance on post occupancy survey data could give a skewed perception of resident satisfaction, given the tendency for people to be happy when they initially move into their home. This means there is a risk of LGAH being unaware of the satisfaction of residents who have been in their homes longer.</p> <p>Mitigation: LGAH already plans to roll out surveys – in line with the RSH's requirements – across its Brolly platform.</p>



5 / CONTRIBUTION TO OUTCOMES

This section assesses the change in outcomes experienced by LGAH's key stakeholders.

These outcomes are affected by many factors, some of which are within LGAH's sphere of influence and some of which are beyond its control. Nonetheless, understanding and assessing outcomes is an essential part of any impact assessment, as they provide insight into the ultimate real-world outcomes for people, places and the planet that LGAH's activities contribute towards.

LGAH, in partnership with TGE, has identified the main target outcomes to which it aims to contribute:

Direct Outcomes

- Improvement in Customer Wellbeing
- Becoming Net Zero Carbon.

Systemic Outcomes

- Raising Standards Across the Social Housing Sector
- Motivating Wider Investment in the Sector.

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

IMP Dimensions of Impact

IMP DIMENSION		OUTCOME: IMPROVING CUSTOMER WELLBEING	OUTCOME: BECOMING NET ZERO CARBON
WHAT impact is LGAH having?		Improvement in customers' wellbeing	Contribution to becoming net zero carbon
WHO is experiencing the impact?		Customers, mostly households on low to median incomes	The environment
HOW MUCH impact is LGAH creating?	Scale	Large scale – 3,032 operational homes	Medium scale – LGAH's portfolio of 3,032 operational homes is large-scale but in the context of overall efforts to reach net zero carbon it is relatively small
	Depth	Dependent on degree of change in wellbeing	Dependent on degree of change in environmental performance of portfolio in reducing energy emissions
	Duration	Likely long-term – all rented customers offered a minimum five-year tenancy and shared ownership homes are intended to be long-term homes	Likely long-term – portfolio of homes are designed to be fit-for-purpose for the long-term
What is LGAH's CONTRIBUTION to what would likely happen anyway?		LGAH aims to deliver affordable, high-quality homes with high standards of customer service. Therefore, customer wellbeing is likely better than what it would be without LGAH homes	Positive environmental performance ingrained in LGAH approach, with detailed plans laid out in Sustainability Strategy. Therefore, contribution to becoming net zero carbon is likely better than that which would occur without LGAH
What is the RISK of the impact not happening?		<p>Execution risks:</p> <ul style="list-style-type: none"> – Homes do not meet customer needs as effectively as expected – Housing management services are not delivered as effectively as expected <p>Stakeholder participation risk:</p> <ul style="list-style-type: none"> – Customer feedback is not suitably heard or accounted for in shaping provision of services 	<p>Execution / drop-off risk:</p> <ul style="list-style-type: none"> – LGAH's stretching targets to achieve net zero carbon are to be delivered over the long term, particularly in relation to land-led homes. However, to date, most of LGAH's operational homes are developer-led, where there is less opportunity to influence design specifications <p>Viability risk:</p> <ul style="list-style-type: none"> – The cost of executing the plan, and the availability of required technology at scale



DIRECT OUTCOME 1

■ IMPROVEMENT IN CUSTOMER WELLBEING

TGE Comment

The NPS score and reported feedback tell a positive story of customer sentiment post-occupancy.

Our interviews with residents and our scheme visits reinforce the view that customers are generally positive about LGAH homes. Plans for customer surveys to be carried out regularly across the portfolio will provide further insights about improvements in their wellbeing.

The following case studies provide some in-depth examples to support our assessment.



Resident Case Studies

Between March to June 2023, we conducted three site visits to LGAH schemes in Oxford and London, across all tenure types. Overall, all three schemes appeared high-quality and had good amenities nearby including supermarkets, schools, and public transport. During the visits, we spoke to eight households, and generally heard positive feedback in terms of the impact their homes had had on their wellbeing.

Family of five, 3-bedroom house

This property is home to a family of five, including parents and three children, aged from 2 to 10. Prior to moving in, the family had been on the local housing register for months, but in a low priority group. However, one of their children was then diagnosed with cerebral palsy and they were moved to a higher priority band. In November 2022, they moved into their new LGAH home.



The parents described moving into the house as “life changing.” They said the home is higher quality than their previous property and that it has much more space, which is particularly important given their child’s condition. They also remarked that the rent is more affordable than in their previous home, saying this provides peace of mind, particularly as childcare is preventing the mother from returning to work for now. Overall, they believe the LGAH home is a ‘big improvement’ compared to their previous housing situation.



Family of four, 2-bedroom flat

This two-bedroom flat is home to a family of four, two parents and two children, both under three years of age. Before moving in, the family had been on the local housing waiting list for eight months, during which they had been living in a shared house with family. Overall, the parents stated they are happy with their new flat, and that “everything is better” compared to their previous housing situation.

However, some issues have arisen since the family moved which have affected their wellbeing. The parents told us that mould appeared in the bedroom. The family had not reported the issue. We have since heard that LGAH is conducting an inspection of the scheme.



In terms of affordability, the family said they are finding it difficult to cover all their rent and bills right now. One adult in the household is working while the other looks after children, and they receive no government assistance beyond child benefit. During the visit, we were accompanied by a representative from Pinnacle [the housing management partner] who suggested that the family should contact their in-house team to review their entitlements. Pinnacle also confirmed that, if applicable, they would be supported through the application process.

Family of two, one-bedroom flat

This property at White City is home to two adults aged 60+. Both family members work full-time, with one working at a nearby hospital and the other self-employed. They indicated that compared to their previous accommodation, their current flat was ‘beautiful and warmer,’ and were generally positive about the impact moving in had on their sense of stability, indicating that they felt settled at the flat. They did note, however, that parking was an issue and that they had to park their car 20 minutes from the flat as only those who purchased their flat were allowed a parking permit.





DIRECT OUTCOME 2

■ BECOMING NET ZERO CARBON

Impact Performance

TARGET OUTCOME	METRIC	RESULT (AS OF 2021)	RESULT (AS OF 2022)	CHANGE FROM LAST 2021
BECOMING NET ZERO CARBON	Average Energy Use Intensity (EUI)	–	Data unavailable	–
	Percentage of new and purchased homes fitted with smart controls linked to smart metering	–	7%	–
	Percentage of homes' energy demands met with on-site renewable generation	–	0%	–
	Percentage of homes that are net zero carbon enabled without changes to the building itself or the heating system	–	0%	–

TGE Comment

Net Zero Carbon Update

During 2022, LGAH took positive steps in its efforts to move towards net zero carbon. LGAH has continued to refine its sustainability strategy, which includes an action plan for LGAH to operate as a net zero carbon business. It aims for all new homes delivered from 2030 to be net zero carbon in operation.

Key highlights achieved during the year include:

- Reaching agreement with Legal & General Capital on a high-level roadmap that will allow LGAH to achieve net zero carbon by 2030. This is currently being updated to split out the three workstreams: land-led, developer-led, and business operations.
- Completing an analysis of retrofit costs for developer-led homes, to estimate the capital required to upgrade a typical home to achieve net zero carbon.
- Completing a net zero costs report, which provides a guide to the additional costs and carbon savings of moving to the Future Homes Standard by 2025 and then net zero carbon enabled homes.
- Finalising a report to inform the design and specification of homes at LGAH's first net zero carbon pilot project in Thurrock.
- Ensuring the sustainability framework is in use for land-led schemes.

These activities demonstrate that LGAH is taking its net carbon zero commitment seriously. During 2022, the group devoted substantial time and resources to this area, including costing and mapping out necessary actions, and beginning to implement those actions in places. Overall, we believe LGAH's ambitions towards achieving net zero carbon go above and beyond minimum requirements.

We have heard, however, that a key challenge for LGAH lies in balancing the dual priorities of growing the business with efforts to lower emissions. Ultimately, increasing housing supply increases LGAH's overall emissions. The challenge is to reduce Scope 1 and 2 emissions by 42% in line with the Science Based Targets Initiative, while continuing to grow the business and contribute to increasing the supply of much-needed housing.

Data Availability

LGAH is still at a relatively early stage in its net zero journey. We have heard that LGAH's internal data system, Brolly, has improved data collection and provided greater insight into the company's performance in this area, particularly in terms of overall emissions.

However, there are still significant gaps in terms of data availability around the structure and build of LGAH's homes (as the table above demonstrates). We have seen evidence that LGAH is starting to collect information on energy intensity, smart meters, renewable energy and such like more systematically. We therefore expect data availability to improve further during 2023. This will help to show whether LGAH is delivering against its goal of creating a portfolio of homes that can operate at net zero carbon emissions.



SYSTEMIC OUTCOME 1

■ RAISING STANDARDS ACROSS THE SOCIAL HOUSING SECTOR

TGE Comment

LGAH has said that a core aim of its strategy is to contribute to raising standards across the social housing sector. This is an ambitious target which demonstrates LGAH's commitment to affecting wider systemic change. It also exhibits LGAH's acknowledgement of its responsibility and its potential to have such a systemic effect. As an established name with significant influence and access to a substantial pool of long-term institutional capital, LGAH is in a relatively unique position in having the potential to affect such a systemic change.

Customer Service

For this Impact Report, we spoke to several of LGAH's housing management partners to gather feedback on its approach. Echoing views from our 2021 research, we again heard that a noticeable difference between LGAH and other investors is its focus on outcomes for residents and providing a high standard of customer service.

“LGAH aim to provide a high level of service and quality for residents. They won't budge from that, and they set their business up to deliver that. This sets them apart from other investors.”

– RP Representative

Overall, our view is that LGAH is taking well-defined steps to provide a high standard of customer service within its own portfolio (see 'Provide Best-in-Class Customer Service' on page 27 for more details). However, we have not yet seen evidence of attempts to raise customer service standards more widely across the sector. This is an area we will continue to monitor. We expect LGAH's influence to increase in time as its portfolio grows and its processes become more firmly embedded.

Financing

LGAH informed us that its internal data system, Brolly, provides a key opportunity for the business to drive wider financial improvements in the sector. LGAH plans to give all its housing management partners access to Brolly. This should allow them to make better use of data to calculate the value of their properties and provide valuers with a bottom-up (rather than top-down) position on property value. This, in turn, should mean that valuers can lower the level of prudence built into property valuations. LGAH hopes that partners will ultimately be able to increase the security value of their properties, and raise their gearing so they can invest more capital in upgrading existing homes or delivering new ones.

Strategic Leadership

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

Several LGAH senior executives are involved with organisations that aim to drive inclusion and fairness in society more generally. This includes connections with The Young Foundation, The Fairness Foundation and The Quality of Life Foundation.

One LGAH housing management partner told us that LGAH could do more to be a strategic leader in the sector. The manager noted that to date, LGAH has focused on getting the business up and running. While this was deemed to be entirely understandable, the partner suggested that LGAH is now well established and could use the weight of the Legal & General brand to do more in the sector, taking a higher profile and lobbying for change where needed.



SYSTEMIC OUTCOME 2

■ MOTIVATING WIDER INVESTMENT IN THE SECTOR



TGE Comment

In addition to directly increasing supply, LGAH intends to use its scale and influence as a business to motivate other investors to enter the affordable housing sector. It hopes to achieve this goal through a combination of thought leadership and involvement with sector-wide initiatives.

In 2021, the British Property Foundation (BPF) launched an Affordable Housing Committee on behalf of the UK real estate industry. Simon Century, Legal & General Capital's Managing Director of Housing, was appointed as the committee's vice-chair. In March 2022, the committee published a white paper, jointly produced by LGAH and the BPF. The paper set out its views around the problems with the current affordable housing model, and proposed a solution, advocating the value of a partnership model between housing associations, government and institutional investors.

This committee culminated in a white paper being published in March 2022, produced jointly by LGAH and the BPF. The paper sets out the problems with the current affordable housing model, and proposes a solution, advocating the value of a partnership approach between housing associations, government and institutional investors.

Fundamentally, the paper demonstrates that such an approach is the only way that the current funding gap can be closed. While LGAH can play a role by providing equity to the sector, the paper estimates that increasing the annual supply of affordable homes to 145,000 will require £34bn of additional capital funding per annum. If this funding gap is to be meaningfully addressed, the amount of equity and subsidy entering the sector will need to increase substantially.

LGAH's involvement with this committee and research piece demonstrates its desire to affect wider change beyond its own operations. It is evident that LGAH recognises the potential power of its balance sheet in tackling the undersupply of affordable housing. However, LGAH also recognises the scale of the challenge and is using its influence to publicly make recommendations about how the sector as a whole can tackle consistent and chronic undersupply.

We also heard anecdotal confirmation from RPs that LGAH's approach has encouraged them to use the benefits from LGAH schemes, to invest in new housing supply.



6 / CONCLUSIONS



STRENGTHS

- **LGAH demonstrates good governance and a strong partnership approach**
LGAH has become the first for-profit Registered Provider (RP) to achieve the highest Governance and Viability grading (G1/V1) from the Regulator of Social Housing (RSH).²⁴ Ambitious standards are set for partner RPs with clear steps for intervention when they are not met. The RPs we spoke to were positive about the partnership due to LGAH's dedication to putting residents first, proactive communication, and strategic drive to improve the sector. The Management Agreement approach is seen as supporting fair sharing of risks and benefits between LGAH and partner RPs.
- **LGAH sets a high bar in terms of home quality and service level**
These standards are backed up by appropriate policies and processes. We heard from multiple RPs that LGAH puts in significant effort to ensure developers are held to account for delivering the homes to its expected high-quality standards. The RP partners and residents that we spoke to view LGAH's homes as of excellent quality.
- **LGAH is taking its net zero ambitions seriously**
This is supported by an ambitious Sustainability Framework that goes above and beyond minimum legal requirements.
- **LGAH's digital platform development should drive significant improvements for customers and is already showing gains**
LGAH's development and gradual implementation of Brolly, its bespoke digital platform, has the potential to significantly improve residents' experience of housing management. Feedback is positive from the early stages of Brolly's roll-out.

AREAS FOR IMPROVEMENTS

- **LGAH could achieve greater social impact by prioritising homes where rents are set at, or below, Local Housing Allowance (LHA)**
LGAH is aiming to have a mixed portfolio of homes in terms of tenure and geography. However, an ambition to drive up the share of homes accessible to households on low incomes would be positive. This could also include targeting rents that are affordable to households below the local net median income level.
- **There is more LGAH could do to harness its strategic influence and proactively support housing manager partners**
LGAH's initial focus has been its operational processes. As it stabilises, we heard appetite from RP partners for LGAH to use its brand and voice more strategically in the sector. We also heard LGAH could support its partners practically – for example through being timely and proactive about communicating the impact of new regulatory changes.
- **Consolidate sustainability metrics**
LGAH is reporting against a range of sustainability metrics across its portfolio to different stakeholders. While we consider measurement a positive step, a consistent set of Key Performance Indicators (KPIs) would enable more efficient and effective management of LGAH's Sustainability Framework implementation.

24. The RSH grading was awarded in February 2023, but is relevant to include in this Impact Report. This is because the grading reflects on LGAH's overall performance, including its governance and viability, in the 2022 period.

APPENDIX

APPENDIX 1 – DATA SOURCES

DATA SOURCE / EVIDENCE	OVERVIEW	EVIDENCE RISK	LGAH DISCLOSURE
Portfolio data	Portfolio data provided to TGE by LGAH. This included unit-level info for all operational and secured pipeline properties in the portfolio, such as address, tenure type, rent charges, completion date, square footage, EPC ratings, etc.	Low	Reliant on accuracy of information provided by LGAH.
LGAH Sustainability Framework	Technical manual providing overview of the LGAH Sustainability Framework. This manual includes the overall themes and objectives, as well as KPIs and forward-looking targets for LGAH's land-led homes.	Low	Reliant on the accuracy of information provided by LGAH.
LGAH Scrutiny Sustainability Matrix	LGAH's Scrutiny Sustainability Matrix for its land-led homes. This matrix provides an overview of the minimum specification requirements for various items relating to six sustainability themes for a scheme to be eligible for investment. This was provided to TGE to provide evidence of how considerations of sustainability are ingrained into LGAH's investment process.	Low	Reliant on the accuracy of the information provided by LGAH, and on the matrix being utilised as stated within the investment process.
LGAH Customer Experience Roadmap and Report	Customer Experience roadmap showing LGAH's actions and achievements to date in relation to customer experience, as well as setting out actions and priorities for the coming years.	Low	Reliant on the accuracy of the information provided by LGAH, and on the forward-looking actions and targets being put into practice as stated.
Qualitative responses to SRS	Qualitative responses to the 'Core' SRS criteria provided by LGAH.	Low	Reliant on the accuracy of information provided by LGAH.
Interviews with housing management partners (MPs)	Interviews carried out with LGAH's housing management partners. Through these interviews, TGE aim to get an update on the nature of the relationship, general experience of working with LGAH, and the level of engagement and monitoring. For this report, TGE spoke to representatives from four of LGAH's MPs.	Medium	TGE is unable to carry out interviews with all MPs that LGAH works with and is reliant on the introductions provided by LGAH.
Interviews with local authorities	Interviews carried out with local authorities in which LGAH schemes are located. Through these interviews, TGE aim to find out about the general experience of working with LGAH, and how the schemes are helping to address the local housing need. For this report, TGE spoke to representatives from two local authorities.	Medium	TGE is unable to carry out interviews with all local authorities that LGAH works with and is reliant on the introductions provided by LGAH.
Affordability calculations for renting the property and shared ownership	TGE performed affordability calculations based off the cost of rent information provided in the portfolio data. The affordability calculator is based off the percentage of households which can afford to live in a property without being overburdened by rent (less than 35% of net household income goes towards rent payments). It uses government data on income by local authority, which is equalised to bring it to the household level.	Medium	The calculation produces an estimate of the proportion of local households that can afford to live in the properties. It is underpinned by ONS data on household incomes for the area and assumption of what affordable is and interest rates. For the instances where local authority data was unavailable or too incomplete, we used data from the unitary authority or regional level which may make the calculations less accurate.
Monthly cost savings model (versus PRS)	Model created by TGE to calculate the average monthly housing cost savings of LGAH's properties versus renting privately (PRS costs). The model compares costs to Rentplus residents (LGAH provided data to TGE) to data on equivalent PRS rent costs.	Medium	Reliant on information provided by LGAH.

DATA SOURCE / EVIDENCE	OVERVIEW	EVIDENCE RISK	LGAH DISCLOSURE
Site visits to selected schemes	Site visits carried out by TGE to selected Rentplus schemes. On these visits, TGE aims to speak to support staff and residents to understand the real-world impact these homes are having on residents.	Medium	Once at a scheme, TGE can develop a reasonable idea of the quality of the site, although it is a snapshot rather an in-depth understanding of the impact delivered. However, we were only able to visit a small subset of LGAH's wider portfolio. We visited three schemes, two in London and one in Oxford.
Qualitative interviews with residents	Interviews carried out with residents during site visits to gain qualitative insight into their experience living in LGAH homes.	Medium	TGE can only carry out interviews with residents from a handful of schemes. The results are therefore contingent on the views of this small subset of residents being a fair representation of the experience of residents across the wider LGAH portfolio. We spoke to eight households across three site visits.

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

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

This SRS submission relates to the following entities:

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

ESG AREA	THEME	CRITERIA #	CRITERIA	LGAH DISCLOSURE
Social	T1, Affordability and Security	C1	For properties that are subject to the rent regulation regime, report against one or more Affordability Metric: 1. Rent compared to Median private rental sector (PRS) rent across the Local Authority 2. Rent compared to Local Housing Allowance (LHA).	Affordable rent is set at a maximum of 80% of Market Rent. When rents increase per Rent Standard annual uplifts, LGAH is following government guidance and capping rent increases at 7% in the current period of high inflation. Rents are set in line with the S106 agreements and in agreement with the relevant Local Authority. 1. Rent compared to Median PRS 66% 2. Rent compared to LHA is at 69% LGAH also applies an equivalent policy to rented products not governed by the rent standard, such as intermediate rent properties. This ensures all rented products are designed to remain affordable for households.
Social	T1, Affordability and Security	C2	Share, and number, of new homes (homes that were completed in the last financial year), allocated to: – General needs (social rent) – Intermediate rent – Affordable rent – Supported Housing – Housing for older people – Low-cost home ownership – Care homes – Private Rented Sector.	Operational units handed over before 1 Jan 2022: – Social rent = 106 [6%] – Affordable rent = 748 [44%] – London affordable rent = 9 [1%] – Intermediate rent = 0 [0%] – Shared ownership 822 [49%].
Social	T1, Affordability and Security	C3	Share, and number, of new homes (homes that were completed in the last financial year), allocated to: – General needs (social rent), – Intermediate rent – Affordable rent – Supported Housing – Housing for older people – Low-cost home ownership – Care homes – Private Rented Sector.	Operational units handed over from 1 Jan–31 Dec 2022: – Social rent = 141 [10%] – Affordable rent = 559 [41%] – London affordable rent = 0 [0%] – Intermediate rent = 125 [9%] – Shared ownership = 522 [39%].

ESG AREA	THEME	CRITERIA #	CRITERIA	LGAH DISCLOSURE
Social	T1, Affordability and Security	C4	How is the housing provider trying to reduce the effect of fuel poverty on its residents?	<p>LGAH is committed to providing good quality, energy efficient homes. 99.3% of new build homes and 95% of existing stock have an EPC rating of B or higher. By reducing energy leakage, LGAH is contributing to lowering household energy bills.</p> <p>Additionally, LGAH provides households with heating advice, and is planning to install smart meters and electric charging points across direct delivery units in the portfolio where possible. Furthermore, by ensuring that rent and services charges do not exceed 35% of net income, as well as supporting customers to access Universal Credit, LGAH is helping to reduce the financial strain households face.</p>
Social	T1, Affordability and Security	C5	What % of rental homes have a 3-year fixed tenancy agreement (or longer)	100%. LGAH is adhering to good practice by ensuring that customers have tenancy security.
Social	T2, Building Safety and Quality	C6	What % of homes with a gas appliance have an in-date, accredited gas safety check?	100% of LGAH's properties comply with its Gas Safety Policy ensuring that gas safety checks are carried out annually and any improvement works conducted accordingly. Wherever a customer fails to provide access, appropriate steps are taken to issue legal proceedings and ensure LGAH is fully compliant with gas safety regulations.
Social	T2, Building Safety and Quality	C7	What % of buildings have an in-date and compliant Fire Risk Assessment?	100%. Following LGAH's Fire Safety Management Policy and Fire Safety Strategy, Fire Risk Assessments are undertaken at risk relevant intervals: every 12 months for high-risk buildings, 18 months for medium-risk buildings, and 36 months for low-risk buildings.
Social	T2, Building Safety and Quality	C8	What % of homes meet the national housing quality standard?	100%. LGAH's Home Standard Policy considers the location, design and build quality of all homes prior to acquisition to ensure all homes are the appropriate size and quality for households.

ESG AREA	THEME	CRITERIA #	CRITERIA	LGAH DISCLOSURE
Social	T3, Resident Voice	C9	What arrangements are in place to enable the residents to hold management to account for provision of services?	<p>LGAH has a board approved customer engagement policy which follows a three-stage cycle of listen, inform and evolve.</p> <p>The policy ensures that a continual cycle of feedback is sought from customers through periodic perception-based surveys and in the moment service specific transaction surveys.</p> <p>This listening then provides insight into where services are failing to meet customers' expectations.</p> <p>Working with LGAH's customer panel, the business then develops proposals for new ways of working and tests these with the panel to gather feedback and inform the proposed approach.</p> <p>Finally, improvements are then rolled out to evolve the service offer. The cycle then continues with feedback on the evolved service informing the business as to whether further evolution is required.</p> <p>The results of this work are presented externally annually in our customer annual report. LGAH's Boards receive insight from this approach at every Board meeting and its Risk and Audit Committee produces regular deep dives in to service areas to understand whether progress is sufficient. It draws on a range of independent sources to provide assurance in these exercises. This includes feedback from customers directly to the Board and Committee.</p> <p>LGAH's Complaints Policy mandates that dissatisfied customers are contacted within 2 working hours to discuss the issue, and any formal complaints are investigated and completed within 5 working days. All formal complaint findings are reviewed by the Operations Director to ensure the resolution provided is in keeping with policy. New developments within Broly will help to achieve compliance with these timeframes.</p>

ESG AREA	THEME	CRITERIA #	CRITERIA	LGAH DISCLOSURE
Social	T3, Resident Voice	C10	How does the housing provider measure Resident Satisfaction and how has Resident Satisfaction changed over the last three years?	<p>Customer satisfaction is measured by LGAH using Net Promoter Score (NPS) as the key metric. NPS is a management tool used to gauge the loyalty of LGAH's customer relationships. LGAH's NPS for overall customer experience as of 2022 is 59. In 2020 this was +49, and in 2021 LGAH achieved a score of +55.</p> <p>NPS is calculated by subtracting the promoters from detractors to give a net promoter Score. Per The Good Economy, any score over 50 is usually considered excellent.</p> <p>LGAH also conducts a survey across all customers via the Institute of Customer Services. This is an annual service which is completed to give LGAH a score which can be benchmarked against the UK Customer Satisfaction Index. LGAH hosts a gas servicing survey and repairs survey and has recruited a panel of customers who are used to provide regular feedback to the company.</p> <p>Customer dissatisfaction is analysed and presented to the Board in a detailed report on an annual basis to understand where issues are arising and what is being done to remedy these.</p> <p>Going into 2023, further feedback channels will be introduced throughout the customers journey with LGAH, including after 12 months survey after a customer has moved in, when they decide to leave and preparing for the introduction of Tenant Satisfaction Measures from April 2023 which will be a new requirement for all Registered Providers set by the Regulator of Social Housing.</p>
Social	T3, Resident Voice	C11	In the last 12 months, how many complaints have been upheld by the Ombudsman? How have these complaints (or others) resulted in change of practice within the Housing Provider?	<p>In the context of 2,610 households in occupation of LGAH housing stock, LGAH has had 3 complaints which the HOS have agreed to investigate further. The outcomes are; 1 maladministration, 1 no fault and 1 under investigation.</p> <p>LGAH meet on a monthly basis with all Management Partners (MPs) to review complaints and agree actions to remedy these issues.</p> <p>In response to complaints about defects, LGAH has put in place a process to require the MPs to confirm in advance that the home is ready to be handed over to them, free from defects. When dealing with complaints, there is emphasis on driving LGAH MPs to directly focus on meeting customer needs rather than prioritising a process-driven approach to complaints.</p> <p>A complaints case management system is being launched within Brolly. This has been developed and is currently being tested. Once complete, this will be launched for internal case management which will provide better insight and user functionality. Complaints are analysed and presented to the Board in a detailed report annually to understand where areas of dissatisfaction are arising and what is being done to remedy them.</p>

ESG AREA	THEME	CRITERIA #	CRITERIA	LGAH DISCLOSURE
Social	T4, Resident Support	C12	What support services does the housing provider offer to its residents? How successful are these services in improving outcomes?	<p>LGAH's contract with its 13 MPs requires that they also refer LGAH customers to services they provide for their other residents. The contract also requires that they must provide a customer-focused service to LGAH customers, providing certainty regarding their rights and expectations as customers of LGAH.</p> <p>The contracts specifically require MPs to support customers around their finances, including provision of debt advisors, making sure they are collecting their benefits directly and having digital access to their rent accounts.</p> <p>In addition, LGAH is planning to introduce a Customer Support Fund in 2023 to help customers who are struggling with rent payments in the short-term, in addition to any other wrap around support required.</p>
Environmental	T6, Climate Change	C14	Distribution of EPC ratings of existing homes (those completed before the last financial year).	<p>Operational units handed over before 1 Jan 2022:</p> <ul style="list-style-type: none"> - A = 37 [2%] - B = 1,572 [93%] - C = 26 [2%] - D = 38 [2%] - E = 12 [1%]. <p>EPCs rated C or higher = 97%.</p>
Environmental	T6, Climate Change	C15	Distribution of EPC ratings of new homes (those completed in the last financial year).	<p>Operational units handed over from 1 Jan–31 Dec 2022:</p> <ul style="list-style-type: none"> - A = 4 [0.3%] - B = 1,334 [99%] - C = 9 [0.7%]. <p>EPCs rated C or higher = 100%.</p>
Governance	T9, Structure and Governance	C25	Is the housing provider registered with the national Regulator of Social Housing (RSH)?	Yes.
Governance	T9, Structure and Governance	C26	What is the most recent regulatory grading/status?	G1/V1 [Legal & General Affordable Homes Limited].
Governance	T9, Structure and Governance	C27	Which Code of Governance does the housing provider follow, if any?	<p>In 2021, the LGAH Board adopted the 2020 version of the National Housing Federation (NHF) Code of Governance.</p> <p>As at 31 December 2022, and for the whole of 2022, the Company was fully compliant with the NHF Code of Governance 2020 with the exception of provision 4.5 as the Company adopts the Legal & General Group Whistleblowing Policy. Although this does not include a route to contact the iNEDs on the board, it is a robust approach to whistleblowing, which is considered an appropriate alternative for the Company given its ownership by the Legal & General Group.</p>

ESG AREA	THEME	CRITERIA #	CRITERIA	LGAH DISCLOSURE
Governance	T9, Structure and Governance	C28	Is the housing provider Not-For-Profit? If not, who is the largest shareholder, what is their % of economic ownership and what % of voting rights do they control?	LGAH is a for-profit organisation. LGAH is 100% owned by Legal & General Group plc.
Governance	T9, Structure and Governance	C29	Explain how the housing provider's board manages organisational risks.	The Board ensures that the company operates within a system of internal control, with business risks identified through a system of continuous monitoring. The Risk Control Framework includes: <ul style="list-style-type: none"> - The Risk and Audit committee. - Risk Appetite Statements - Internal Audit. The Risk Control Framework is reported annually within LGAH's Financial Statements.
Governance	T10, Board and Trustees	C31	What are the demographics of the board? And how does this compare to the demographics of the housing providers' residents, and the area that they operate in?	The Board has 6 members: <ul style="list-style-type: none"> - 3 independent non-executives - 3 male, 3 female (since Feb 2023) - Average age 57 years.
Governance	T10, Board and Trustees	C32	What % of the board AND management team have turned over in the last two years?	As of December 2022, one board member has replaced an existing member in the last two years.
Governance	T10, Board and Trustees	C33	Is there a maximum tenure for a board member? If so, what is it?	Maximum tenure of nine years, but with an expectation that the maximum would usually be six years (two terms of three years), with terms longer only by exception.
Governance	T10, Board and Trustees	C34	What % of the board are non-executive directors?	All board members are non-executive members.
Governance	T10, Board and Trustees	C35	Number of board members on the Audit Committee with recent and relevant financial experience.	The Risk & Audit Committee has two members of the board among its membership, both with recent and relevant financial experience. <p>Their experience extends beyond the remit of just financial risk to include experience in direct investments, housing associations, telecoms, utilities, and financial services. This reflects the fact that the LGAH Audit Committee's responsibilities also extend beyond financial risk to include areas such as cyber risk, tenancy fraud and reputational risk.</p>
Governance	T10, Board and Trustees	C36	Are there any current executives on the Remuneration Committee?	LGAH does not have an RP Remuneration Committee. Remuneration is dealt with at a group level.
Governance	T10, Board and Trustees	C37	Has a succession plan been provided to the board in the last 12 months?	A succession plan exists and was last reviewed in February 2023.
Governance	T10, Board and Trustees	C38	For how many years has the housing provider's current external audit partner been responsible for auditing the accounts?	KPMG is the auditor responsible for auditing the accounts. KPMG has been the auditor since the start of the business – for the PropCo this is since its first accounts were submitted in 2019, and KPMG is also the auditor for the new RPs which were incorporated in 2021.
Governance	T10, Board and Trustees	C39	When was the last independently-run, board-effectiveness review?	The Board reviews its effectiveness every year and the RPs must have an external review every 3 years. The last review was in November 2022. <p>The consultancy Campbell Tickell also conducted an In-Depth Assessment readiness review in 2021, which offered some insight into Board effectiveness.</p>

ESG AREA	THEME	CRITERIA #	CRITERIA	LGAAH DISCLOSURE
Govern- ance	T10, Board and Trustees	C40	Are the roles of the chair of the board and CEO held by two different people?	Yes.
Govern- ance	T10, Board and Trustees	C41	How does the housing provider handle conflicts of interest at the board?	The LGAAH Board operate under the L&G Group Plc Director Conflicts of Interest Policy. This policy works to identify and manage conflicts of interest. Additionally, a Conflicts Register is kept up-to-date and a report on conflicts of interest is conducted annually. In addition, in accordance with the Group Conflicts of Interest Policy, each RP Board has approved a Conflicts of Interest Register and a Conflicts of Interest Practice Note.
Govern- ance	T11, Staff Wellbeing	C42	Does the housing provider pay the Real Living Wage?	Yes.
Govern- ance	T11, Staff Wellbeing	C43	What is the gender pay gap?	Currently LGAAH is part of a wider employing entity, alongside other L&G entities. If this structure changes and LGAAH moves to become its own separate employing entity, then at that point LGAAH could consider calculating the Gender Pay Gap. Difference in mean & median hourly rate of pay: - 20.9% at mean level - 22.4% at median level.

APPENDIX 3 – LGAH SUSTAINABILITY FRAMEWORK

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

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

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

THEME	OBJECTIVE
5. Resources Management	5.1 Resource-efficient design and construction
	5.2 Whole-life circularity and adaptation for future re-use
	5.3 Select materials for least environmental impact, and implement sustainable and responsible procurement policies
	5.4 Enable efficient water use in operation
	5.5 Make it easy to share and reduce consumption
	5.6 Enable increased recycling and reduced residual waste generation from our assets in operation
	5.7 Measure and reduce construction waste
	5.8 Efficient use of land and its functions
6. Energy and Carbon	6.1 Help deliver LGC Group Science-Based Targets commensurate with 1.5 degrees
	6.2 Energy efficient homes
	6.3 Efficient, renewable and low-carbon energy supply
	6.4 Reduce energy poverty and move towards zero bill homes
	6.5 Measure and reduce whole-life embodied carbon in construction in line with industry benchmarks
	6.6 Deliver net-zero carbon enabled homes in operation (regulated and unregulated emissions)

THE

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