

THE
GOOD
ECONOMY

CHEYNE IMPACT REAL ESTATE TRUST
SOCIAL IMPACT
REPORT

OCTOBER 2021





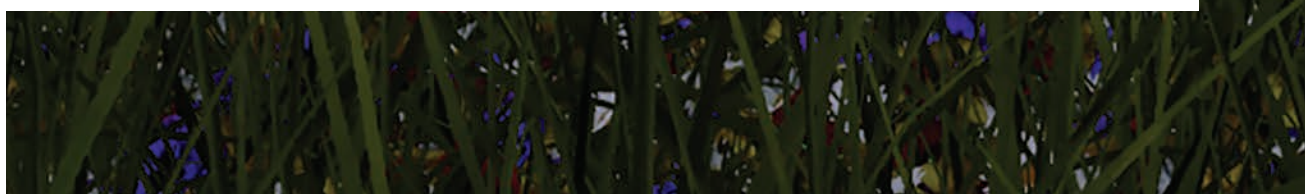
This report has been commissioned by the Cheyne Impact Real Estate Trust ("CIRET" or "the Fund") and has been prepared by The Good Economy Partnership Limited ("The Good Economy" or "TGE"), a leading impact advisory firm specialising in impact measurement, management and reporting.

The Good Economy advised CIRET on the development of its impact measurement and management methodology. This report is based on analysis of quantitative data and evidence, as well as in-depth interviews with management and staff of Cheyne Capital and representatives of stakeholders, including Registered Providers (RPs) and residents.

The findings and opinions conveyed, via this report, are based on information obtained from a variety of sources as detailed in this report. The information

reviewed should not be considered as exhaustive and has been accepted in good faith as providing true and representative data pertaining to the schemes. Therefore, The Good Economy cannot and does not guarantee the authenticity or reliability of the third-party information it has relied upon. The Good Economy reserves the right to alter the conclusions and recommendations presented in this report in the light of further information that may become available.

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IMPACT REPORT – HEADLINE RESULTS

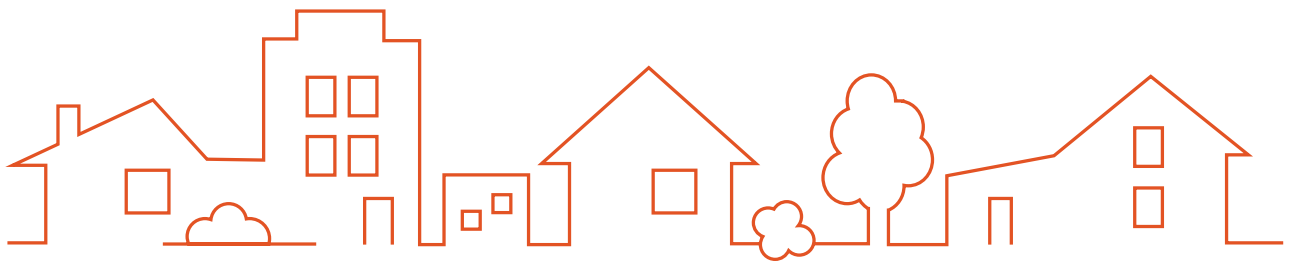
AS OF 31 MARCH 2021



£99.1 MILLION
COMMITTED



437
HOMES



POTENTIAL TO HOUSE **AT LEAST 619 PEOPLE**



PARTNERING WITH
5 HOUSING MANAGERS



**35% OF HOMES ARE IN THE 20%
MOST DEPRIVED AREAS OF THE UK**

DISTRIBUTION OF HOUSING TYPES

✓ PROVIDING AFFORDABLE ACCOMMODATION

12%

PRIVATE RENTAL SECTOR – KEY WORKER

16%

RESIDENTIAL CARE FOR THE ELDERLY – PUBLICLY-FUNDED

✓ PROVIDING HOMES FOR THOSE WITH CARE NEEDS OR AT RISK OF HOMELESSNESS

2% TEMPORARY ACCOMMODATION

18%

SPECIALISED SUPPORTED HOUSING

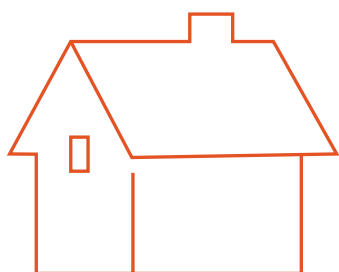
✓ PROVIDING CROSS-SUBSIDY FOR NEEDS-LED HOUSING

21%

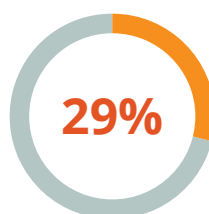
PRIVATE RENTAL SECTOR

31%

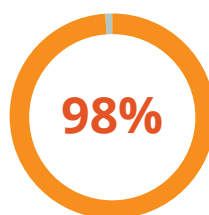
RESIDENTIAL CARE FOR THE ELDERLY – SELF-FUNDED



**80% OF UNITS ARE
NEWLY-BUILT HOMES**



**29%
OF HOMES
HAVE AN EPC
RATING OF C+**



**98%
OF HOMES
HAVE AN EPC
RATING OF E+**

EXECUTIVE SUMMARY

CIRET is the second real estate impact fund from Cheyne Capital, following the Social Property Impact Fund launched in 2014. CIRET's primary impact goal is to increase the provision of high-quality affordable and specialist housing to improve the quality of lives of people with a range of housing needs. These include individuals and families on local authority housing waiting lists, people with specialist care needs, older people, and key workers. Investing in mixed tenure accommodation is a key element of CIRET's strategy and investment approach.

The report covers the period from April 2020 (the fund's launch) to March 2021.

Overall, CIRET has committed £99.1m of capital to the current portfolio. It will provide 437 homes for at least 619 people.

Through this mixed tenure model it aims to deliver high additionality in terms of provision of more affordable homes than would have been developed otherwise. CIRET's investment approach also seeks to avoid and mitigate any negative impact risks, such as providing poor quality housing for people on low incomes.

Cheyne Capital has a track record of developing innovative impact funds that target wider systems change. By demonstrating the potential for private schemes to be converted into mixed tenure schemes (with some private and some affordable) CIRET is hoping to influence wider planning policy, as well as act as a 'proof-of-concept' for other impact investors.

IMPACT ASSESSMENT

This report assesses CIRET's performance against its stated impact objectives. TGE worked with Cheyne Capital to design an impact measurement and management (IMM) methodology for CIRET during the fund's set-up phase. This provides a framework for assessing impact creation and ensuring impact considerations are fully integrated into the investment process.

TGE frames and aligns its impact assessment according to the five dimensions of impact, as set out by the Impact Management Project (IMP). This is an established and widely recognised approach to impact measurement and management. The results of this year's impact assessment are summarised below.

IMPACT OBJECTIVES

✔ Social Need

CIRET's portfolio consists of a diverse mix of properties, including general needs housing, key worker housing, residential care for the elderly, Specialised Supported Housing (SSH) for people with learning disabilities or mental health needs, and housing for people at risk of homelessness. This range of property types means that these homes serve a range of housing-related needs for at least 619 people.

Overall, 35% of its properties are in the UK's 20% most deprived local authorities. This highlights how CIRET homes serve people in some of the country's poorest areas.

Moreover, CIRET aligns with several of the UN's Sustainable Development Goals (SDGs). As well as working towards SDG 11 (Make cities inclusive, safe, resilient and sustainable), its SDG linkages include SDG 3 (Good Health and Wellbeing) and SDG 10 (Reduce inequalities within and among countries).

✔ Affordability

CIRET's strategy involves acquiring schemes that have no affordable housing requirements and developing them into a mix of market rate housing and affordable homes. Where a scheme has affordable housing defined by planning, CIRET seeks to increase the quantum through additional affordable tenures such as key worker housing.

An example is a scheme at Oldham Road (in Manchester). There was no requirement for any affordable homes to be built, however CIRET acquired it and is requiring 35% of the units to be filled by key workers at a 15-20% discount to market. From TGE's analysis we consider these homes affordable where two or more key workers are sharing the rent, but less affordable on a single income basis.

✔ Quality Homes

CIRET homes are of a good quality, particularly the new-build homes. These are being built to meet external certification of above-average sustainability standards. Where CIRET is building mixed tenure schemes it will ensure all properties are built to the same high standard and look the same.

The environmental performance of a building can only be formally assessed once it's been completed. As the fund has not yet completed any of its new-build schemes, the only Energy Performance Certificates (EPCs) that TGE can report on come from the older buildings that CIRET acquired from another fund. These EPCs are fairly low – only 29% are grade C or higher. However, 80% of the new homes at Oldham Road are expected to be graded B or above.

✔ Quality Partnerships

CIRET selects and monitors its partners appropriately. It only works with organisations that demonstrate that they share and understand its impact ethos and that have the experience and capacity to manage the properties effectively to deliver high quality of service to residents.

✔ Increase and Accelerate Supply

CIRET embodies a best-in-class approach to increasing and accelerating supply of affordable homes as its impact-driven model unlocks sites for development of new affordable homes and goes beyond the legal affordability requirements of planning agreements. While the portfolio is relatively small with only six schemes currently (four of which are operational) TGE would expect CIRET's contribution to lifting the supply of affordable housing to increase in the coming years as it deploys more capital.

✔ Value for Money

Although they represent only a small part of its total portfolio, CIRET's SSH and temporary accommodation schemes have the potential to deliver significant value for money for the public purse.

OUTCOMES

CIRET aims to contribute towards improving the quality of life of people with a range of housing needs.

As the majority of the fund's properties remain under construction and most of the operational homes have been acquired from Cheyne's first real estate impact fund, TGE has not undertaken a comprehensive review of resident outcomes experienced for this report. As the fund matures and residents move into the completed properties, these outcomes will be assessed more closely through resident surveys, interviews, and site visits.

A classification of CIRET's contribution to impact in accordance with the Impact Management Project norms is provided in Section 4.

STRENGTHS

- **Best-in-class approach to additionality** – By going beyond the legal requirements of planning agreements CIRET embodies a best-in-class approach to increasing and accelerating the supply of affordable homes. It has done so without taking on grants or buying section 106 housing that would have found an alternative buyer and would not deliver the same impact.
- **Mixed tenure commitment** – CIRET ensures that its mixed tenure schemes are 'tenure-blind' with no differences in

the quality of design or customer service between private and affordable housing.

- **Strong partnerships** – CIRET's partners appreciate its sector knowledge. It and they appear to be aligned on the need to provide excellent service for residents.
- **Value for money** – CIRET's SSH and temporary accommodation schemes have the potential to deliver significant value for money for the public purse.

POTENTIAL RISKS AND AREAS FOR IMPROVEMENT

- **Energy performance** – CIRET's older acquired properties display weaker environmental performance and would benefit from retrofit programmes.
- **Acquiring existing properties** – The acquisition of existing properties from the first Cheyne fund maintained key strategic relationships with the Thera Trust and P3 Housing, and provided investors with immediate income. However, it did reduce CIRET's capacity to fund new additional social and affordable housing, which has reduced its impact potential.
- **Affordability limitations** – The Oldham Road key worker housing provides high quality, affordable housing. It is aimed towards sharers which is reflected in the design of each home. However, these homes will be less affordable to single-income keyworker households.

The new investments that CIRET has made are delivering on the fund's objectives of increasing the supply of affordable housing and creating mixed, tenure blind schemes – all while maximising their additionality.

Going forward TGE will aim to understand the outcomes experienced by CIRET's residents. This will include running resident outcomes surveys.

Cheyne Capital was a first mover in the affordable housing finance market with the launch of their Social Property Impact Fund. Although a large number of new equity-based, affordable housing funds have been set up since then, Cheyne Capital continues to take an innovative approach. It aims to have a systemic impact by demonstrating effective approaches to mixed tenure schemes that deliver high quality, secure housing for all.

CIRET's primary impact goal is to increase the provision of high-quality affordable and specialist housing to improve the quality of lives of people with a range of housing needs. These include individuals and families on local authority housing waiting lists, people with specialist care needs, older people, and key workers.

1 / INTRODUCTION

ABOUT THE CHEYNE IMPACT REAL ESTATE TRUST

This is the first Impact Report produced by The Good Economy [TGE] for The Cheyne Impact Real Estate Trust [CIRET or the fund]. The report covers the period from launch in April 2020 to March 2021.

CIRET is the second real estate impact fund from Cheyne Capital, following the Social Property Impact Fund launched in 2014. CIRET's key impact goal is to increase the provision of high-quality affordable and specialist housing to improve the lives of people with a range of housing needs. These include individuals and families on local authority housing waiting lists, people with specialist care needs, older people, and key workers. CIRET aims to ensure private tenure residents are also provided similar benefits to those in discounted homes, such as capping rental increases.

Investing in mixed tenure accommodation is at the heart of CIRET's strategy and investment approach. Through this mixed tenure model it aims to deliver additionality in terms of provision of genuinely affordable homes. Cheyne Capital actively seeks to avoid and mitigate any negative impact risks associated with affordable housing, such as designing lower quality housing for people on low incomes.

The fund's 'evergreen' strategy allows it to be a long-term investor that can provide affordable and secure housing. CIRET aims to build strong, collaborative relationships with partner local authorities, commercial housing operators, housing associations, charities and care home managers.

The fund's strategy and impact thesis is underpinned by three key principles:

- Raise and deploy institutional capital to improve access to and quality of affordable and social housing that leads to improvements in people's wellbeing.
 - Focus on achieving high additionality by investing in housing schemes that would not otherwise have been built or made affordable.
 - Building diverse mixed tenure schemes and 'tenure-blind' homes, where affordable properties are designed to be identical to and 'pepper-potted' among private-sector homes to assist social integration and social mobility.
-

HOUSING TYPES

CIRET is currently invested in four types of housing which each meet a social need.

General Needs Housing

The UK is experiencing an affordable housing crisis. Research commissioned by the National Housing Federation and Crisis identifies a need for 145,000 new affordable homes every year up to 2031.¹

Affordable housing is recognised as a universal social good within the SDGs. Moreover, there is strong evidence that it contributes to other positive outcomes such as health and wellbeing benefits, particularly for low-income households.² It may also offer secure tenancies, providing residents greater stability and potentially leading to better access to jobs and positive employment outcomes.

Specialised Supported Housing

Specialised Supported Housing (SSH) refers to housing that has been specifically designed or adapted for people who require specialised care to enable them to live in the community.

In recent years, SSH has become increasingly recognised for the value it offers in providing vulnerable people with the opportunity to live safely in community-based settings. Although SSH rents are higher than general needs social housing, independent evidence suggests SSH is a cost-effective housing solution for people with care and support needs.

Temporary Accommodation

Temporary accommodation is the provision of interim housing for otherwise homeless households. Hostels and other schemes offer occupiers a place to stay while they plan their next steps. Over 0.4 million people in the UK are homeless or at risk of homelessness, with a risk that this number will rise as Covid restrictions on evictions are lifted.

Supply is critical as temporary accommodation provides residents with a stable setting. This can serve as a springboard to the greater security of permanent accommodation (usually social rent properties), which can improve the likelihood of obtaining or maintaining a job.

Elderly Residential Care Homes

The number of UK care home beds increased by 0.9% between 2014 and 2019, whereas the population aged 85+ grew by 9.1%.³ Given the UK's ageing population, there is a clear need for more and affordable residential homes for the elderly, equipped to provide care and facilitate wellbeing, as well as more independent living options for older people.



THIS REPORT

This is TGE's first annual impact report for CIRET. It assesses the fund's impact from its launch in April 2020 to March 2021.

TGE would normally aim to assess CIRET's impact performance on two parameters:

- 1 Whether the fund is achieving its defined impact objectives – specific aims that are within its direct control or influence, and which describe how it will contribute to improving outcomes for its stakeholders.
- 2 Whether stakeholders are experiencing any measurable change in outcomes as a result of its activities.

However, this first report focuses on impact objectives as the fund is at an early stage and a large proportion of its portfolio is still under construction.

As the fund matures and the new developments are completed, TGE will carry out resident outcomes surveys to better understand the impact that these homes are having.

Given the recent coronavirus pandemic, TGE has been unable to carry out site visits to CIRET properties to inform this report. TGE would normally visit a sample of properties to speak directly with property managers, residents and, if applicable, care and support workers. However, TGE has engaged remotely with relevant stakeholders and partners, interviewing partners from most of the schemes.

1. Housing supply requirements across Great Britain: for low income households and homeless people. Crisis, December 2018.

2. Housing as a social determinant of health and wellbeing: developing an empirically informed realist theoretical framework. BMC Public Health, (2020) 20:1138.

3. https://www.savills.co.uk/research_articles/229130/291740-0

2 / IMPACT ASSESSMENT FRAMEWORK

TGE worked with Cheyne Capital to design an impact measurement and management (IMM) methodology for CIRET during the fund's set-up phase. This provides a framework for assessing impact creation and ensuring impact considerations are fully integrated into the investment process.

The IMM methodology is aligned with emerging international good practice, including the Impact Management Project⁴ dimensions of impact and the Global Impact Investing Network (GIIN) IRIS+ system and metrics.⁵ Cheyne Capital and TGE will review the IMM approach every year to factor in lessons learned and developments in impact strategy, as well as refinements to impact measurement and reporting.

IMPACT GOAL

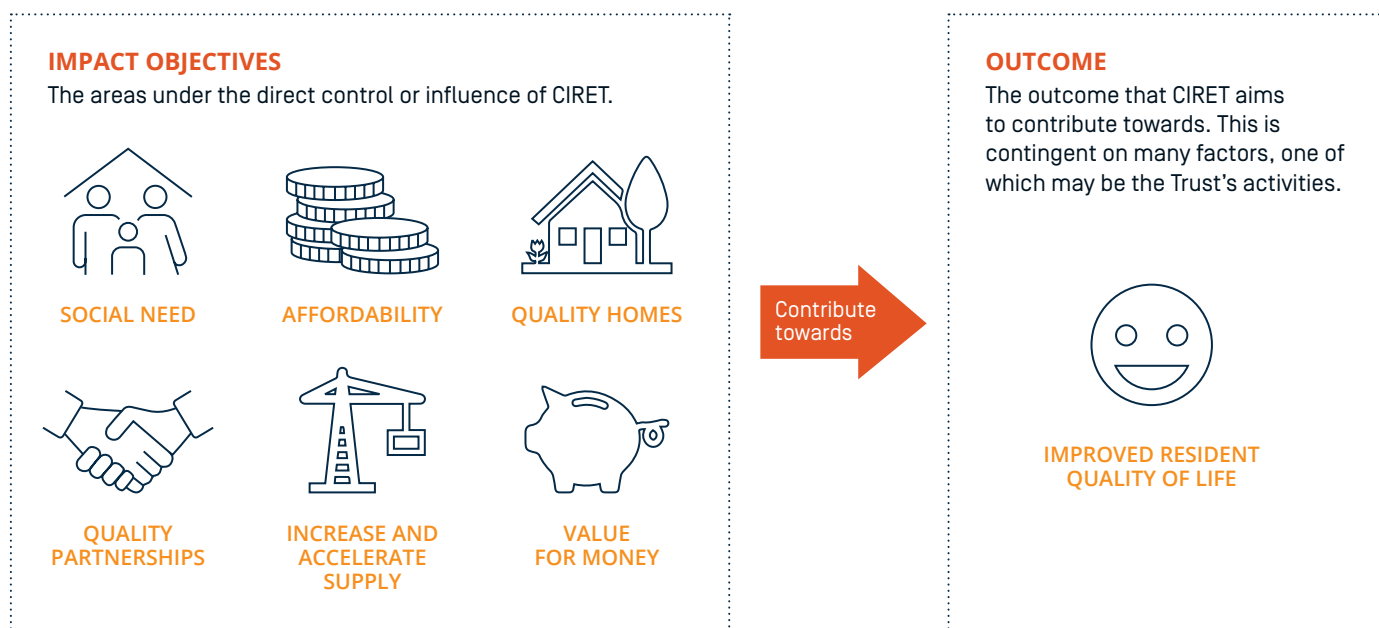
CIRET's overall impact goal is to increase the provision of high-quality affordable and specialist housing to improve the quality of life of people with a range of housing needs.

CIRET is a long-term investor that seeks to buy or build UK property and to enter into long-term leases with local authorities, commercial housing operators, housing associations, charities and care home operators. It prioritises high additionality schemes that would not have been built without its involvement.

The fund has not to date invested in affordable housing required by section 106 planning obligations. This is because of its mission to actively increase supply of housing rather than acquire assets that are already being delivered.

THEORY OF CHANGE

The theory of change (ToC) describes how CIRET's activities lead to defined positive outcomes. The ToC highlights the key steps that must take place, and the assumptions that must hold true for positive outcomes to be experienced. 'Impact' is the change in these outcomes that is partially or wholly attributable to the fund's activities.



4. <https://impactmanagementproject.com/>

5. <https://iris.thegiin.org/metrics/>

IMPACT OBJECTIVES

Six key impact objectives contribute to CIRET achieving its impact goal:



SOCIAL NEED

Provide accommodation which will address the needs of those on Local Authority housing lists, individuals with a care need and keyworkers who cannot afford to rent or buy in the open market.



AFFORDABILITY

Ensure funded developments are affordable within their local markets.



QUALITY HOMES

Fund developments which improve access to housing, quality of life and better energy efficiency: **a) Environmental** – good energy efficiency, build quality, pleasant environment; **b) Social** – necessary social infrastructure within reach, e.g. close to employment, transport links, education.



QUALITY PARTNERSHIPS

Ensure registered providers, care providers and asset (operational) managers deliver quality service and outcomes for residents. Have strong working relationships with partner organisations and appropriate financing terms that meet the funding needs of these organisations.



INCREASE AND ACCELERATE SUPPLY

Drive delivery of affordable housing and specialist housing that would otherwise not be built. Accelerating the rate at which stalled schemes are developed.



VALUE FOR MONEY

Provide value for money for housing and social care budgets by allowing individuals to move into accommodation which is less costly to the public purse.

These are the key areas over which CIRET has direct influence. Each objective has a set of metrics and, where relevant, specific targets have been set to assess the extent to which the fund is creating positive social impact.

OUTCOMES

While the fund has direct influence over its impact objectives, its contribution to the outcomes experienced by ultimate end-users is more indirect since these depend on many factors. Nonetheless, it is important to measure the outcomes experienced and to assess the fund's contribution to them since this provides insight into its impact.

The outcome CIRET aims to contribute towards is to improve the quality of life of people with a range of housing needs.

As the fund matures and residents move into the completed properties, this outcome will be assessed more closely.

3 / PERFORMANCE AGAINST IMPACT OBJECTIVES

CIRET has committed £99 million to 437 homes across six schemes during its first 12 months of operation. The current portfolio includes SSH, temporary accommodation, residential care for the elderly and key worker housing.

Three schemes were acquired from Cheyne's first real estate impact fund. These will provide income for the fund and also maintain key strategic relationships that can be expanded upon further.

Of the new schemes, one is enabling conversions of existing properties to SSH, while two are investments in new-build mixed tenure developments [see table below for details].


INVESTMENTS AT 31 MARCH, 2021

PROJECT NAME	LOCATION	GROSS ACQUISITION PRICE (£M)	INVESTMENT TYPE	TYPE OF HOUSING	PROJECT STATUS	NUMBER OF HOMES	POTENTIAL NUMBER OF RESIDENTS
Ethical Lease Portfolio - Luton	Luton	1.3	Acquisition from existing fund	Temporary accommodation	Operational	8	16
Ethical Lease Portfolio - P3 Housing	Derbyshire, Gloucestershire	1.9	Acquisition from existing fund	Specialised supported housing (SSH) for people at risk of homelessness or with mental health conditions	Operational	14	28
Ethical Lease Portfolio - Thera Trust	National	22.8	Acquisition from existing fund	SSH for people with learning disabilities	Operational	61	119
Thera Trust	National	1.3	Existing properties converted to social housing	SSH for people with learning disabilities	Operational	4	9
Oldham Road	Manchester	33.9	New-build development	Private rental sector (35% of units discounted and allocated to key workers)	Under construction	144	241
Anavo Care	Crewe, Lancing, Whitchurch	37.9	New-build development	Residential care for the elderly (35% of units allocated to publicly funded residents)	Construction due to commence 2021 [Q4 onwards]	206	206
Total	–	99.1	–	–	–	437	619

TGE has assessed CIRET's performance against its six impact objectives.

SOCIAL NEED

Provide accommodation to address the needs of people on local authority housing lists, individuals with a care need and key workers who cannot afford to rent or buy in the open market.

IMPACT OBJECTIVE	IMPACT METRICS	RESULTS
 SOCIAL NEED	Number of properties	91 ⁶
	Number of housing units	437
	Number of occupied units	83
	Occupancy rate [of operational properties only]	95%
	Breakdown of total units by care classification of residents	
	Specialist care	18%
	Affordable homes (Publicly-funded elderly care, Key worker accommodation)	28%
	Temporary housing	2%
	Private market (Self-funded residential elderly care, private rental sector)	52%
	Percentage of homes in the 20% most deprived local authorities	35%

CIRET's portfolio consists of a diverse mix of properties, including general needs housing, key worker housing, residential care for the elderly, SSH for people with learning disabilities or mental health needs, and housing for people at risk of homelessness. This range of property types means that these homes serve a range of housing-related needs.

Overall, TGE judges that 48% of the fund's homes directly meet a need identified in its impact objectives. Moreover, their combination of affordable and market rate housing contributes to the creation of mixed tenure schemes that encourages social groups to mix – potentially benefiting residents of all CIRET properties.

The portfolio provides 437 homes (units) in total. Once fully operational, these will have the capacity to house approximately 619 people. Currently, only 87 homes are operational. The remaining 350 are under construction or due to begin construction in the coming months.

The operational schemes in the portfolio (the SSH and temporary accommodation schemes) are 100% social sector housing. The soon-to-be-built residential care scheme will provide spaces for 206 people – 35% allocated to publicly funded residents. At the private rental Oldham Road scheme, which began construction in Q1 2021, 35% of the homes will be discounted and allocated to key workers with the remainder allocated to private market tenants who will benefit from capped rental increases of no more than CPI + 1%.

6. The portfolio consists of 87 operational properties and 4 new-build properties where development is due to start imminently.

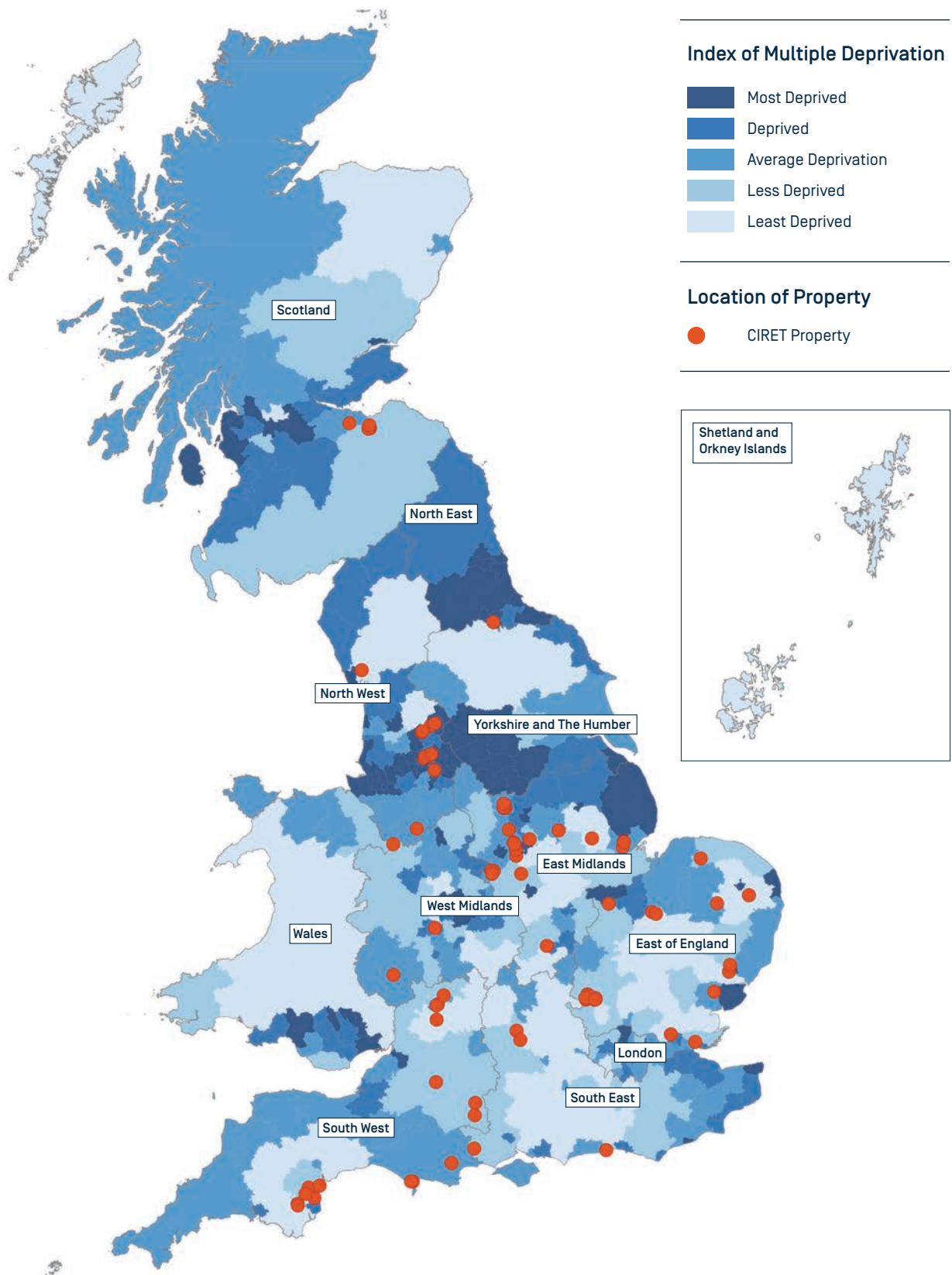
Though approximately half of the portfolio is private market-rate housing, TGE assesses each of the schemes as contributing to meeting target group needs nationally or locally. For example:

- The provision of key worker housing in Manchester should alleviate some of the challenge local workers face in finding high-quality affordable accommodation in the area. Recent significant levels of investment in the centre of Manchester risks pricing local key workers out of the area. Private Rental Market Statistics indicate that median rents for a 2-bed property in Manchester have increased by 31% since 2015, one of the highest increases in the country. Commercial property data shows that monthly median rents within a mile and a half of Manchester city centre are around 20–30% higher than those of the surrounding area (depending on property type).
- The allocation of publicly-funded new-build residential care for the elderly seeks to address differences in the quality of accommodation typically available for self-funded and publicly-funded residents. Unlike new-build residential schemes, the UK planning system does not require affordable allocations of residential care beds. As a result, new care homes cater only to the private market, while those who cannot afford private care end up being placed in older and less fit-for-purpose care homes.
- SSH housing provided for people with learning disabilities or at risk of or experiencing homelessness is very much focused on individual residents. For example, CIRET acquires properties at the request of its partner Thera Trust who base the purchase request on individuals' specific needs.
- Temporary accommodation in Luton is intended to home people with a priority need for housing, such as pregnant women, families with children and individuals at immediate risk of homelessness or harm in their current situation. Luton has 13,215 households on the housing waiting list. This represents 17% of all households, the fifth highest rate nationally.



LOCATION OF PROPERTIES


The fund's properties are located across 46 local authorities. 35% of homes and 41% of resident capacity are in the most deprived local authority quintile (bottom 20%).



Contains OS data © Crown copyright and database right (2021). Data source: English Indices of Deprivation (IMD) (2019), Scottish IMD 2020 and Welsh IMD (2019) – % of a Local Authority's local areas (LSOAs) in the 20% most deprived nationally. Deprivation in each country is measured differently therefore each country should be treated individually.

AFFORDABILITY

Ensure funded developments are affordable within their local markets.

IMPACT OBJECTIVE	IMPACT METRICS	RESULTS
 <p>AFFORDABILITY</p>	Breakdown of units by tenure type	
	Private rental sector – Key worker	12%
	Private rental sector – Other	21%
	Residential care for the elderly – Publicly-funded	16%
	Residential care for the elderly – Self-funded	31%
	Specialised supported housing	18%
	Temporary accommodation	2%

Overall, TGE judges that a good portion of CIRET's portfolio serves lower income-earning households. The temporary accommodation, SSH and 35% of the residential care units will be appropriate for residents who are eligible for housing benefits, and so could potentially provide housing to some of the most vulnerable members of society. However, 52% of the fund's homes are for private market rent, serving relatively high earning households.

See below for a more detailed analysis of the affordability of selected schemes in the CIRET portfolio:

→ The development in Oldham Road, Manchester will provide high-quality general needs housing, 35% of which has been allocated to key workers. Some of the homes have been designed with sharers in mind, for example 2-bed key worker homes will feature equal sized double bedrooms and two bathrooms. Native Group, the Build to Rent (BTR) operator who will be managing the homes, market their use of design, branding and technology. The homes will all have access to a communal residents' lounge, a rooftop garden, and a concierge. TGE understands that comparable properties with similar services can be slightly more expensive than a property without such services, however the homes will not have a service charge and rents will be set based on local market comparisons.

Key worker accommodation will be set at 80-85% of the prevalent market rent. Rental price increases will be set at the consumer price index (CPI) for key workers, and a maximum of CPI + 1% for the non-key worker allocation. TGE calculates a household must be earning between £36,100 and £52,600 to not be overburdened by the rent requirements for a 1 or 2-bedroom key worker apartment, which would be affordable⁷ to 46% and 20% of households, respectively. Only the top 25% of Education workers and 20% of Health and Care workers in the North West earn above £36,100 – meaning these homes are only affordable for above-average earning households and higher earning key workers in the area. However, it is assumed that these homes will be occupied by sharers, which makes them more affordable to lower-earning households. Rents for 1-bedroom key worker apartments are likely to be above the current average rent by only around 2%, however for 2-bed homes they could be 20% above. TGE welcomes the unstipulated allocation of key worker housing to the area but has concerns these homes are likely to only be affordable for households that share the rent, or higher-earning professional key workers and are unlikely to alleviate the area's rental inflation. The demography and income of the residents will be evaluated as part of the next impact assessment.

7. TGE analyses affordability in relation to local income data. Affordability is calculated as the percentage of local households that can afford to live in a property without being overburdened by rent (defined as spending less than 35% of net household income on rent payments). We have used 80% of the current 'average market rate' available from commercial websites with an additional 5% service premium.




→ At CIRET's 206-unit residential care development, 35% of units will be allocated to publicly-funded residents while the remainder will be for private funders. Residential care home places provided through Anavo Care will be aimed at the mid-market, with fees expected to be between £1,100 and £1,300 per week for self-funded residents. The fund's primary concern are the publicly-funded residents who will have their fees fully or partially paid by the local authority or NHS. Half of these will be fully funded and the others will require resident top-ups. Fully-funded bed spaces will be available to those with the lowest ability to pay for care (assessed via means testing and funded by the local authority) or those whose needs are primarily health-based and are eligible for NHS continuing healthcare. Partially-funded bed spaces are also means-tested and available to those who have some ability to pay.

→ The housing leased by Luton Borough Council is intended for the local authority to perform its statutory duty of providing suitable accommodation for those with a priority housing need, many of whom will be on low incomes. Tenant rent levels are set accordingly: six of the properties are at the Local Housing Allowance (LHA) rate, with the remaining two below the LHA. This allows for housing benefit to fully cover the tenant's rental costs, without the need for the local authority to have to make top-up payments. TGE considers these homes affordable to those on the lowest incomes.

■ QUALITY HOMES

Fund developments which improve access to high-quality housing that includes:

- a) Environmental sustainability – good energy efficiency, build quality, pleasant environment
- b) Social sustainability – necessary social infrastructure within reach, e.g. close to employment, transport links, education.

IMPACT OBJECTIVE	IMPACT METRICS	RESULTS
 QUALITY HOMES	Breakdown of completed units by EPC rating	
	A	0%
	B	6%
	C	23%
	D	54%
	E	15%
	F	2%

New-build homes

CIRET considers each development's environmental, social and economic sustainability from inception. For example, the residential care homes being developed for Anavo Group will be assessed using the Building Research Establishment Environmental Assessment Method (BREEAM) sustainability certification. The Lancing home is aiming for a BREEAM rating of 'Very Good', this represents performance equivalent to the top 25% of buildings, or 'advanced good practice'. The other two developments are being built to a BREEAM rating of 'Good', equivalent to the top 50% of buildings, or 'intermediate good practice'. Once operational each care home is being designed to make innovative use of architecture, technology and staff engagement to create a high-quality environment promoting greater health and wellbeing.

Refurbished homes

33% of capital invested into the new Thera Trust properties has been used for refurbishment and adaptation. Supported housing for those with learning disabilities, as operated by Forward Housing (the registered provider of social housing owned by Thera Trust), can require adaptations to enable the home to be used safely or to increase access: installing handrails or wet rooms, for example. When it acquires a property for Thera Trust, CIRET funds the initial refurbishment and adaptations, as well as administrative costs of the purchase. Subsequent adaptations and refurbishments are funded through a sinking fund which Forward Housing can access. They aim to 'future-proof' properties to ensure they are not so specialised that they would

not be suitable for a different tenant. This helps avoid unoccupied spaces. TGE understands that when large works are needed, they are agreed with Cheyne and paid for through the sinking fund.

We come from a mindset of 'Would I or the CEO live here?'

“ P3 Housing

Environmental sustainability

29% of completed homes have EPC ratings of A-C. They meet the government's Clean Growth Strategy, which sets the target of upgrading as many homes to EPC grade C by 2035, "where practical, cost-effective and affordable".⁸


However, 71% of properties do not meet this target currently. Many of the completed properties are repurposed older housing stock (a third of homes are over 50 years old), and have relatively low EPC ratings of mostly Ds and Es. Two properties did not meet the government's minimum energy efficiency standard of an EPC grade E. However, many of the properties have not had an updated EPC rating following refurbishment and adaptation works and are expected to be graded more favourably.

TGE recommends that the fund should work with partners to identify opportunities to upgrade the energy performance of these older buildings through retrofit programmes where possible.

8. HM Government – Department for Business, Energy and Industrial Strategy, 'The Clean Growth Strategy: Leading the way to a low carbon future', October 2017.

■ QUALITY PARTNERSHIPS

Ensure registered providers, care providers and asset [operational] managers deliver quality services and outcomes for residents. Have strong working relationships with partner organisations and appropriate financing terms that meet the funding needs of these organisations.

IMPACT OBJECTIVE	IMPACT METRICS	RESULTS
 <p>QUALITY PARTNERSHIPS</p>	Housing partners	5
	Housing partners interviewed	4
	BTR operators	1
	Residential elderly care providers	1
	SSH providers	2
	Local Authorities	1

For CIRET to maximise its impact, it needs to partner with high-quality organisations and manage these relationships well. After all, it is the service providers who have direct contact with the residents. TGE is of the view that quality of service and responsiveness to tenant needs are key to the experience of people living in the fund's homes.

TGE judges that CIRET takes steps to ensure it selects partners appropriately, only working with organisations who demonstrate that they share and understand the impact ethos behind

the fund. In addition, when selecting partners upfront, CIRET ensures that they have the experience and capacity to manage the properties effectively to deliver high quality of service to residents.

TGE understands that CIRET monitors partners' performance both financially and non-financially with monthly, quarterly and annual reporting requirements. Non-financial data includes complaints made by tenants and complaints resolved by the housing manager.

Key Partners

The fund currently works with of the following key partners:

PARTNER	SCHEME	PARTNER OVERVIEW
Forward Housing / Thera Trust	Ethical lease Portfolio and Thera Trust: SSH for those with learning disabilities	Forward Housing is part of the Thera Group of companies and its purpose is to provide bespoke housing solutions to people with a learning disability. Forward Housing lease houses from CIRET and in turn subleases them to Empower Housing Association, a registered provider who specialises in providing homes for people with a learning disability within their chosen community. Empower Housing provides assured tenancies to their tenants and a local Thera company provides support.
P3 Charity	Ethical Lease Portfolio: SSH for people at risk of homelessness or with mental health conditions	P3 provides services to socially-excluded people, in particular those who have multiple or complex needs and chaotic lifestyles. P3 Housing is the Registered Provider arm of the P3 Group and provides supported accommodation for people experiencing homelessness.
Luton Borough Council	Ethical Lease Portfolio: temporary accommodation	All local authorities have a statutory duty to provide services to people who are homeless or threatened with homelessness. This can include helping those who are experiencing homelessness to find secure accommodation.
Anavo Group	Anavo Care – residential care for the elderly	Anavo Group comprises Anavo Development, which is responsible for building homes, and Anavo Care, which will provide the residential care once operational. Anavo Care has a reputation for improving the quality of care of distressed homes. 9/10 of the homes Anavo Care run are rated 'Good' or above by the Care Quality Commission (CQC).
Native Group	Oldham Road – PRS and key worker housing	Native is a build-to-rent (BTR) operator as well as one of the country's largest aparthotel managers.



Resident Support

We are pleased to see partners demonstrating various approaches for engaging with their tenants.

Ensuring a high quality of service is integral to Native's operations. Native plans to use the same methods they employ in their other properties. These includes a bespoke app for residents to log, manage and keep track of maintenance issues directly with Native. A concierge directly employed by Native will always be present at the property. Resident opinions will be collected via Homeviews, a review website for residential developments. Reviews and results will be shared publicly online.

P3 uses the lived experience of tenants to both inform service delivery and monitor resident outcomes, please see the 'P3 Charity – Incorporating Resident Voice' case study.

P3 CHARITY – INCORPORATING RESIDENT VOICE

P3 Charity provide SSH for people at risk of homelessness or with mental health conditions. Various initiatives are used to engage with residents, these include:

- A tenant committee where residents can meet and discuss with staff, including executives, as well as sharing experiences with other tenants.
- People Shaping P3 is an initiative allowing tenants to influence the way P3 runs its services. Tenants are given the chance to participate in working groups, the staff recruitment process and to review P3's service as 'mystery shoppers'.
- P3 Tenant Survey is run annually and covers areas such as services, standard of accommodation, the local area and making a complaint to P3. Results are published annually on P3's website.

P3 also tracks resident outcomes. Support is provided to tenants to help them maintain the accommodation and includes monitoring progress using techniques such as the Outcome Star. This allows tenants to track their progress against 10 themes, including 'Self-care and living skills', 'Managing money', 'Motivation and taking responsibility' and 'Drug and alcohol use'.

Wellbeing, satisfaction and specific tenant issues are monitored by Forward Housing via Empower Housing, their housing association partner, and by the Thera support company. In addition to housing, tenants are also offered services including financial advocacy and support to find employment, which are delivered by other companies within the Thera Group.


Wellbeing and satisfaction are key to everything we do and providing people with the right home is key to this.

“ Forward Housing, Thera Trust

■ INCREASE AND ACCELERATE SUPPLY

Drive delivery of affordable housing and specialist housing that would not be built otherwise.

Accelerate the rate at which stalled schemes are developed.

IMPACT OBJECTIVE	IMPACT METRICS	RESULTS
 <p>INCREASE AND ACCELERATE SUPPLY</p>	Number of new-build homes funded	350
	Percentage of new homes by ...	
	Section 106	0%
	Grant Enabled	0%
	Unrestricted	100%
	Number of homes refurbished and brought to social housing for the first time	4
	Amount spent on refurbishing homes	£427,329
	Number of existing homes acquired	83

CIRET operates a relatively unique model in the affordable housing sector. This innovative approach - accelerating the delivery of affordable housing without making use of grant or Section 106 allocations - enables it to make a substantial contribution to the delivery of affordable housing that would not be delivered without its involvement. TGE considers this to be a best-in-class approach, since the fund's impact-driven model unlocks sites for delivery of affordable homes and goes beyond the legal affordability requirements of planning agreements. The portfolio is relatively small with only six schemes currently (four of which are operational), but TGE would expect CIRET's contribution to lifting the supply of affordable housing to increase in the coming years as it deploys more capital.

See below for an overview of CIRET's contributions to increasing the supply of affordable and social housing:

→ Since CIRET's inception, the fund has forward-funded two new-build schemes that account for 57% of housing units in the current portfolio. They include the residential block of 144 units at Oldham Road in Manchester, and the residential care scheme for the elderly, which will provide 206 units in total across three properties. TGE views these schemes as having high additionality. CIRET has acquired developments that would otherwise have been 100% private market rent schemes, and allocated 35% to be either affordable housing or publicly-funded - without taking on additional grant funding or making use of section 106 allocation.

→ CIRET has extended its relationship with Thera Trust for £10 million worth of new bespoke housing solutions, a portion of which has funded four additional properties which are home to nine people with a learning disability, who have a diverse range of needs. TGE understands that the latest facility offered to Forward Housing has been agreed with a more favourable returns requirement than the original deal. The new properties have been brought into SSH for the first time and have received further investment to adapt them to meet each resident's needs.


Cheyne understood our concerns and came back with an improved option. Cheyne are flexible and understand the market conditions we operate within.

“ Forward Housing, Thera Trust

→ CIRET's acquisition of the Ethical Lease Portfolio (including the Luton, P3 Housing and Thera Trust schemes) maintains Cheyne's supply of housing with the additionality having occurred when the properties were originally purchased for the Cheyne Social Property Impact fund. The properties' acquisition protects their current use and serves to provide an immediate source of income for CIRET, allowing the fund to take on more development risk in the future. Cheyne is also exploring ways of extending lease terms with current partners which will provide further security of tenure to both the counterparty and their underlying tenants.

■ VALUE FOR MONEY

Provide value for money for housing and social care budgets by allowing individuals to move into accommodation which is less costly to the public purse.

IMPACT OBJECTIVE	IMPACT METRICS	RESULTS
 VALUE FOR MONEY	SSH accommodation: Savings compared to residential accommodation ⁹	£9,932 per resident per annum
	Local authority temporary accommodation: Savings compared to pay-nightly accommodation	Up to £68k per annum

Several of the fund's specialist housing schemes have the potential to generate value for money for the public purse by delivering housing that offers significant cost-savings compared to alternative settings. Independent research suggests that the SSH at the Thera Trust schemes is cheaper than residential or in-patient settings. Moreover, the temporary accommodation and SSH for people at risk of homelessness at the Luton and P3 Housing schemes has the potential to generate both near and longer-term savings for public budgets.

Overall, TGE assesses CIRET's contribution to generating value for money to be high in the context of these specific schemes (discussed further below). But they only represent a relatively small portion of the overall portfolio.

→ CIRET owns 65 SSH units across two Thera Trust schemes.

There is strong evidence to suggest that SSH is a cost-effective way of providing housing to people with complex needs, particularly learning disabilities. A Mencap report provides evidence that SSH offers savings of £191 per week compared to a residential care home and £1,931 per week compared to an in-patient place:

Cost savings arise from the independent living nature of the properties: for example, fewer staff and facilities are required for care and catering provision.

Furthermore, the government has acknowledged that supported housing in general is a cost-effective system which saves some £3.5 billion per year through lower costs for the NHS, social care and criminal justice systems.¹⁰

→ SSH provided at the P3 Housing Scheme serves people at risk of or who have experienced homelessness. Research has shown that using this type of housing for intervention in and prevention of homelessness typically costs the public sector much less than allowing sustained or repeated homelessness.¹¹ Additional public costs can arise in the health care system, including mental health services and emergency services at hospitals, as well as potentially in the criminal justice system too. Crisis estimates that it would save the public purse £370 million if 40,000 people were prevented from becoming homeless for one year in England.¹²

→ Luton Borough Council leases eight temporary accommodation units in a 'revenue-neutral' manner. This means that the rent collected by the council covers both the properties' lease and operational costs. As all properties in Luton are set at or below the LHA, they are covered by housing benefit without the local authority having to top up. This type of property provides a significant direct saving to the local authority compared to alternative forms of emergency accommodation such as bed and breakfasts or the private rental sector. TGE calculate that the fund saves Luton Borough Council up to £68,000 per year compared to pay-nightly accommodation.

9. Funding supported housing for all. Specialised Supported Housing for people with a learning disability. Mencap and Housing LIN report. April 2018.

10. Future of supported housing. First Joint Report of the Communities and Local Government and Work and Pensions Committees of Session 2016–17, House of Commons, May 2017.

11. At what cost? An estimation of the financial costs of single homelessness in the UK. Crisis. July 2015.

12. <https://www.crisis.org.uk/ending-homelessness/homelessness-knowledge-hub/cost-of-homelessness/> page visited 8th July 2021.

4 / CONTRIBUTION TO OUTCOMES

Impact objectives play an important role within impact assessment since these are activities over which CIRET has direct control. However, they do not capture its full impact since this also includes outcomes experienced by end-users.

The main outcome to which CIRET aims to contribute is: **Improving resident quality of life.** As this is influenced by many factors, the fund only contributes in part. Nonetheless, it is important to assess this since it provides insight into CIRET's ultimate impact on residents.

However, as the majority of the fund's properties remain under construction and most of the operational homes have been

acquired from Cheyne's first real estate impact fund, TGE has not undertaken a comprehensive review of outcomes experienced for this report. As the fund matures and residents move into the completed properties, these outcomes will be assessed more closely through resident surveys, interviews and site visits.

For the purposes of this report, TGE categorises CIRET's target outcome of improving resident quality of life according to the Impact Management Project (IMP) dimensions of impact (see table below). This is a standardised approach to impact measurement as agreed by a network of more than 2,000 organisations, practitioners and investors.

IMP DIMENSION		OUTCOME: IMPROVING RESIDENT QUALITY OF LIFE
WHAT impact is CIRET having?		Improving resident quality of life: <ul style="list-style-type: none"> by providing a secure home and support by providing quality affordable accommodation.
WHO is experiencing the impact?		A broad range of tenants with various housing needs: <ul style="list-style-type: none"> People with complex learning disabilities People at risk of or who are experiencing homelessness Elderly people with lower incomes Key workers at risk of being priced out of local market.
HOW MUCH impact is CIRET creating?	Scale	Low scale – CIRET will have the capacity to support 619 residents, the extent of the problems they are addressing however are much greater.
	Depth	Potential for high impact – improving the quality and affordability of people's homes will have significant impact.
	Duration	Medium-term – some of the homes are long-term with assured tenancies, others are shorter term, typically around (but not limited to) two years, although the long-term benefits are hoped to be significant.
What is CIRET's CONTRIBUTION to what would likely happen anyway?		Medium additionality. Currently CIRET's operational portfolio has mostly been acquired from a previous impact fund. However, the fund's new development projects all have high additionality – funding affordable homes that would not have been built otherwise.
What is the RISK of the impact not happening?		Operational Risk – CIRET's model relies on it working with housing partners able to provide high-quality support to people across multiple housing sectors.

Systems Change

We've heard from CIRET that their model is causing some authorities to rethink their approach to planning. Specifically their work with Anavo Care has shown that it is financially possible to run residential care schemes with a mix of affordable and private rent, so a local authority is thinking about using the planning process to require more affordable care homes to be built.

TGE will continue to monitor this as the fund matures.

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For the purposes of this report, TGE categorises CIRET's target outcome of improving resident quality of life according to the Impact Management Project dimensions of impact.

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5 / CONCLUSIONS AND NEXT STEPS

Overall, TGE judges that CIRET meets its impact objectives. While affordability of the portfolio's social housing component is limited by the cross-subsidy approach, and the one-off strategy of acquiring existing properties from the previous fund reduces capacity and impact potential, the fund has a best-in-class approach to increasing supply by going beyond legal requirements. It is achieving high additionality by making private market scheme units affordable – and in a 'tenure-blind' way.

In addition, it appears on course to contribute to positive social and environmental outcomes.

STRENGTHS

- **Best-in-class approach to additionality** – By going beyond the legal requirements of planning agreements CIRET embodies a best-in-class approach to increasing and accelerating the supply of affordable homes. It has done so without taking on grants or buying section 106 housing that would have found an alternative buyer and would not deliver the same impact.
- **Mixed tenure commitment** – CIRET ensures that its mixed tenure schemes are 'tenure-blind' with no differences in the quality of design or customer service between private and affordable housing.
- **Strong partnerships** – CIRET's partners appreciate its sector knowledge. It and they appear to be aligned on the need to provide excellent service for residents.
- **Value for money** – CIRET's SSH and temporary accommodation schemes have the potential to deliver significant value for money for the public purse.

POTENTIAL RISKS AND AREAS FOR IMPROVEMENT

- **Energy performance** – CIRET's older acquired properties display weaker environmental performance and would benefit from retrofit programmes.
- **Acquiring existing properties** – The acquisition of existing properties from the first Cheyne fund maintained key strategic relationships with the Thera Trust and P3 Housing, and provided investors with immediate income. However, it did reduce CIRET's capacity to fund new additional social and affordable housing, which has reduced its impact potential.
- **Affordability limitations** – The Oldham Road key worker housing provides high quality, affordable housing. It is aimed towards sharers which is reflected in the design of each home. However, these homes will be less affordable to single-income keyworker households.

The new investments that CIRET has made are delivering on the fund's objectives of increasing the supply of affordable housing and creating mixed, tenure blind schemes – all while maximising their additionality.

Going forward TGE will aim to understand the outcomes experienced by CIRET's residents. This will include running resident outcomes surveys.

Cheyne Capital was a first mover in the affordable housing finance market with the launch of their Social Property Impact Fund. Although a large number of new equity-based, affordable housing funds have been set up since then, Cheyne Capital continues to take an innovative approach. It aims to have a systemic impact by demonstrating effective approaches to mixed tenure schemes that deliver high quality, secure housing for all.

APPENDIX

LIST OF DATA SOURCES AND RESOURCES USED TO INFORM IMPACT ASSESSMENT

DATA SOURCE / EVIDENCE	OVERVIEW	EVIDENCE RISK	LIMITATIONS
Property-by-property portfolio data	Portfolio data provided to TGE by Cheyne Capital annually. For each property, this data provides the following info: acquisition date, address, partner details, number of units, care classification, property description, capacity and occupancy, and data to monitor quality such as EPC ratings.	Low	Reliant on accuracy of data provided by Cheyne Capital.
Interviews with key partners	Interviews carried out with CIRET's partners. Through these interviews, TGE aims to find out about the key partners' relationship with Cheyne Capital, as well as specific details in relation to selected schemes.	Medium	TGE speak to at least one key partner housing manager for each Impact Report. Anavo Group, Forward Housing (Thera Trust), Native and P3 Charity were interviewed for this report.
Interviews with CIRET staff	Interviews carried out with various members of CIRET's staff, including the organisation's directors as well as those from investment teams and asset-management teams.	Medium	Reliant on the accuracy of the answers provided by CIRET staff. Though these conversations provide insight into the fund's processes and activities, they cannot provide the full picture since some information is confidential.
Contextual data	Contextual data is used throughout the report to provide information for specific impact objectives. Specific data sources include national indices of deprivation, the Annual Survey of Hours and Earnings (ASHE), Numbers of households on local authorities' waiting lists, Local Housing Allowance rates and Private Market Rental Statistics.	Low	Where possible contextual data is sourced from national datasets published by public bodies such as the Office for National Statistics and MHCLG.

Overall, CIRET has committed £99.1m of capital to the current portfolio. It will provide 437 homes for at least 619 people.

CIRET appears on course to contribute to positive social and environmental outcomes.

THE

GOOD

ECONOMY

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