



# Development Strategy 2020-2025



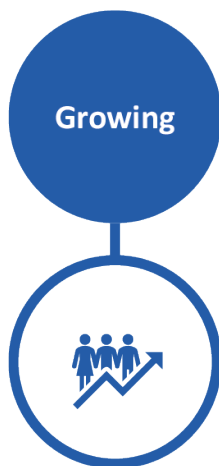
# Introduction

South Lakes Housing has recently produced and adopted an ambitious new Business Strategy and five-year plan for 2020-2025. The key guiding themes for this strategy are the overarching aims of Growing, Greening and Transforming the business across this plan period.

This refreshed Development Strategy is conceived and designed with the purpose of supporting delivery of these aims and the wider progression and development of the business. It aims to build, acquire or start 400 new homes by the end of 2025, and shape the development programme such that it fits with the upcoming Future Homes Standard and supports the wider low carbon and sustainability agenda.

The Strategy is being produced in the wake of the Covid 19 pandemic crisis, and just months away from the UK formally leaving the EU after the ending of the Brexit transition period. We look forward to seeing the detail around some of the very recent policy announcements in response to the current challenges, particularly around the Green Homes Grant Fund, decarbonisation of social housing initiatives and the extension of permitted development rights and planning system deregulation measures.

Despite all the current and future uncertainties as we move toward establishing the so-called 'new normal', we remain resolutely committed to the core central themes of Growing, Greening and Transforming our business.



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# Our Vision

1

We will have built, acquired or started 400 additional new and high-quality homes across our operating area, including 50 affordable homes per year, 80 homes in rural areas and 150 other acquisitions.

2

We will be developing new homes not only in our core area of South Lakeland and the National Parks, but also in Lancaster and South West Cumbria.

3

We will have an evolving and progressive Greener Homes Standard that future proofs all our new homes and helps contribute toward meeting carbon reduction targets and the climate challenge.

4

We will have completed our first Passivhaus scheme at Halton in Lancaster and will be applying the learning from this project to the wider development programme overall as it further evolves.

5

We will continue to develop homes for a range of customer groups, and will also continue to provide new homes for both social and affordable rent as well as low cost home ownership.

6

We will have plans in delivery that support the regeneration of place and neighbourhood, where these are required in communities across our operating area.

7

We will have undertaken a full review of all our development procurement arrangements in order to drive through cost efficiencies and ensure the delivery of our programme represents true value for money.

# Strategic Context

The Government acknowledges that there is a national housing crisis. Housing delivery has fallen steadily since the 1950s, and housing has become increasingly unaffordable. The housing 'affordability ratio' (i.e. the ratio of average incomes to house prices) has increased nationally from 3.5 times in the mid-1990s to 8 times in 2018. For South Lakeland it is even higher still, at 8.4 times.

The current national annual target of achieving 300,000 new homes remains a long way off (in 2019 the figure was 241,000). The existing Local Plan for South Lakeland has an annual requirement for 400 homes, but over the plan period since 2010 this has averaged at 222 homes per year.

Current projections suggest that the population in South Lakeland could increase by around 7,500 by the mid-2030s and more recent evidence suggests there will be an ongoing base annual requirement for 290 new homes, including at least 150 affordable dwellings. Affordable housing demand continues to remain high and rising.

Both nationally and locally, housing and construction play a critical role as an engine of economic growth, and balanced housing markets support economic vitality in the longer term.

The availability of the right type of housing which is affordable on local incomes is vital to economic growth, maintaining the local supply of labour, broader supply chain and sustaining local communities.

New housing construction provides and creates investment and a flow of skilled jobs both directly and in the supply chain, creating positive local multiplier effects in terms of spending on local goods and services, thus helping sustain the wider local economy.

This will be ever more important in the post-Covid emergency period as the economy opens up following the enforced shut-down, and clearly the construction and housebuilding sectors can play a major role as engines of sustained economic recovery.

It is widely accepted that housing market conditions will be somewhat uncertain for a potentially extended period of time, and in this new environment SLH will seek to be proactive in bringing forward new development projects that can help assist in the recovery and also seek out potential new partnerships and opportunities with house-builders that may emerge in an uncertain residential sales market.



# Our Current Programme



Our current programme comprises a blend of developments including SLH-led schemes on sites we own or have acquired, off the shelf s106 purchases from a number of active local house-builders and other acquisitions/conversions.

## Where We Build

*Where should be our main geographic spatial area(s) of focus going forward, and where do we want to be most actively pursuing new growth and development?*

South Lakes Housing was established in 2012 following the transfer of over 3,000 homes from South Lakeland District Council. We own and manage homes across South Lakeland, including Kendal and surrounds, Ulverston, Ambleside and the Lake District National Park, as well as Sedbergh in the Yorkshire Dales National Park. As part of strategic discussions around future business growth we have identified both Lancaster and South West Cumbria as areas of potential expansion.

Demand for good quality affordable housing is generally strong across our wider operating area, and we will seek to apply sound market intelligence to inform investment decisions in pockets where it is less so. **As part of delivering on our growth objectives the Development Committee and Board of South Lakes Housing is supportive of us continuing to develop in our Lakeland heartland and also to look to growth opportunities to the south in Lancaster and surrounds, Morecambe Bay and in South West Cumbria where market conditions and housing demand support scheme viability.**

**Responding to current and recent housing market intelligence we will consider opportunities in other contiguous areas of relatively low demand (such as Eden and Copeland) only when there is compelling housing market research that can confirm the viability of long term sustainable new development.**

# Housing Market Areas – Key Headlines

## Cumbrian Housing Market Assessments Summary (NLP 2020)

- Relatively high proportion of population cannot access owner occupation but not eligible/low priority for affordable housing.
- Low relative proportion of social rented and private rented housing options.
- Low incomes set alongside areas of high demand and very high incomes.
- High levels of out migration of young people – this is true for all areas and a key demographic factor influencing future housing demand and supply.
- Ageing population is a key issue – more choice of older persons' housing is required.
- High proportion of households in fuel poverty.
- Choice and availability of housing sites an issue.
- Access to finance an issue.

## South Lakeland (SHMA, 2018)

- Key sub-areas of Ulverston & Furness, Central Lakes, Cartmel Peninsula, Kendal, Kendal Rural and Dales.
- Outside the National Park, Kendal has highest house prices across Cumbria.
- Affordability gap between prices and incomes the highest.
- Owner occupation dominates, there is a relatively small social rented sector.
- Population in Cumbria to remain relatively constant to 2033 but predicted to rise by nearly 6% in South Lakeland.
- There is a net annual affordable housing requirement of 153.

## Lancaster (SMHA, 2018)

- Lancaster is a relatively self-contained housing market area with a number of key sub-areas.
- House price growth in the past 2 decades has been higher than most neighbouring areas, and higher than the wider north west and the national level as a whole.
- There is a relatively high level of unmet affordable housing need.
- Key future challenges exist around delivering enough new homes at the right quality, and in ensuring that the housing needs of older people are met.
- There is a net annual affordable housing requirement of 169.

## Barrow (SMHA, 2017)

- Key sub-areas of Barrow inner, Barrow Outer, Dalton, Askam, Lindal and Walney.
- Housing is more affordable here than the Cumbrian average.
- Empty homes and housing quality are issues.
- Diversification of the housing market is needed.
- BAE Systems is a key driver of local housing demand along with the local wind farm industry.
- There is a net annual affordable housing requirement of 133.

## Land Finding

SLH will continue to source land using a blend of approaches to spread risk and ensure a variety of development going forwards. We will continue to review the SLH land terrier for development opportunities, including garage sites and areas in need of regeneration.

We will maintain contact with all land agents covering the South Cumbria and North Lancashire regions to ensure suitable opportunities are made available to SLH. We will ensure contractors and private developers are informed of our development aspirations and forms of partnership working that we can consider, including joint venture proposals, joint development agreements and "off-the-shelf" purchases.

We will engage in constructive dialogue with landowners wishing to bring forward sites for housing use as part of Local Plan land availability processes, particularly where SLH has control of adjacent land which could support the progression of future new development.

Where suitable sites are identified either through the Local Plan or as Rural Exceptions sites, SLH will consider land banking options to allow a steady pipeline of development projects to cover periods when other sites are held up within the Planning process. Prior to any option or purchase being entered into, full viability assessments (including exit strategies) will be carried out and Board approval secured.



## Who Are We Building for?

### *How do we decide who our main client groups are or do we want to try and provide all housing types?*

Our current development programme has focused on two and three bed houses with one-bed flats where suitable. To monitor demand for specific unit types going forward we undertake regular review of Cumbria Choice Choice Based Lettings data to confirm demand patterns and lettings data analysis. Further and specific detail on this is attached as Appendix 2.

Consultations to help inform and sense-check the Development Strategy were carried out with the SLH staff team, Tenants' Committee and wider public via social media. The focus of the questions was designed to elicit informed perceptions of the type of property and locations that are felt to be in greatest need and highest priority.

In summary these responses indicate that Social and Affordable rented properties are most often seen as being of greatest need, with support also for further provision of some Shared Ownership and Rent to Buy homes. Preferred locations for proposed new development spans our operating area, specifically Kendal, Lakes, Ulverston, Milnthorpe, Lancaster/Morecambe, the Yorkshire Dales, Lune Valley and Barrow.

Priorities for our future build specification are seen as enhanced energy efficiency measures, smart technology, ensuring new homes have sufficient private outside space (including parking) and keeping any service charges to a minimum.

# What We Build

*What does our future product and specification look like, what is our response to the climate emergency, energy efficiency and carbon reduction requirements, and how do we prepare for the Future Homes Standard post-2025?*

## **Future Homes Standard – Towards an SLH Greener Homes Standard**

In 2019 the UK became the first major economy in the world to pass a net zero emissions target into law. This target will require the UK to bring all greenhouse gas emissions to net zero by 2050, compared with the previous target of at least 80% reduction from 1990 levels. The UK's 2050 net zero target is one of the most ambitious in the world and was recommended by the Committee on Climate Change.

Homes – both new and existing – account for 20% of greenhouse gas emissions in the UK. By improving energy efficiency and moving to cleaner ways to heat our homes, we can reduce carbon emissions and keep down household energy costs now and in the future.

The new homes that we are constructing now and in the next 5 to 10 years are homes that will exist in 2050. There is a drive therefore to make sure that the standards we set for these homes put us on the right path. The Government made a commitment in the 2019 Spring Statement that by 2025 it will introduce a Future Homes Standard for new build homes to be future-proofed with low carbon heating and world-leading levels of energy efficiency.

This, along with the Clean Growth Grand Challenge mission to halve energy use in all new builds by 2030, will set a path towards decarbonisation of new homes and support the scaling up of low carbon technologies to decarbonise our existing stock.



## Mix of Tenure Type and Unit Size

***In terms of unit sizes, highest demand is for 1 and 2-bed apartments, 2-bed bungalows and 3 bedroom houses.***

Reflecting market assessments, CBL data analysis and survey feedback, we propose the following mix as a baseline aspiration for new developments. This will obviously flex to suit the physical nature and location of differing sites, "off-the-shelf" developments and financial appraisals, but does provide an overall delivery mix of unit types and tenures that responds to currently identified unmet demand and helps shape our overall approach.

### Tenure Type

- 75% Rent
- 25% Shared Ownership

### Unit Size

- 30% 1 Bed Apartments/Houses
- 30% 2-bed Houses
- 30% 3-bed Houses
- 10% Bungalows



In terms of space standards, on sites we develop independently all homes will be designed and constructed to NDSS as a minimum. For s106 acquisitions, we will seek to ensure that all homes are at least 85% of NDSS so as to achieve Homes England compliance.

In respect of dwelling accessibility, all homes on sites we develop independently will be compliant with Part M4 (2) of the Building Regulations. This is an optional enhanced building standard that is broadly aligned with the Lifetime Homes Standard and provides for future dwelling adaptability, together with step-free access for occupants. Our house types will also incorporate additional internal flexibilities to support potential home working and 'home office' arrangements that reflect evolving work patterns.

# Greening



A key aim of the Development Strategy is therefore around greening up for the future. We will seek to apply the learning from our current schemes to help inform this, as well as continuing to explore other innovations and Modern Methods of Construction (MMC), including solutions manufactured offsite, for example Keepmoat's ILKE product. We will ensure all new products and innovations used will be back up by a recognised building warranty.

We acknowledge that achieving much improved environmental performance in our new homes inevitably comes at a price – we will therefore seek to take a tiered, cascade-style approach to delivering enhanced specification where individual scheme viability requires it.

We also appreciate that refocusing our strategy and product specification in this way presents a learning challenge not only for the Development Team but also for colleagues right across the business, particularly in assets, repairs and housing management. We will therefore use our schemes at Parkside Road, Kendal and Mill Lane, Halton as active learning opportunities for staff across the company to engage with as they are progressed and built out.

Clearly there will need to be some flexibilities to our traditional approach towards maintenance and management of our newer housing stock in the future, and we feel that giving a broad number of colleagues active opportunities for exposure to these pilot projects (with their various new technologies etc.) can potentially help with this journey.

The housing market in SLDC and Cumbria is diverse in its offer, with the large developers often choosing quantity over quality with consequent size and space compromises to achieve target numbers. We believe for SLH to achieve a long-term return on investments and ensure that our properties are always in demand, our priority is to pursue high standards of design and energy efficiency within our affordable housing parameters.

Modular and Volumetric solutions can also support our approach to drive enhanced energy efficiency, with units being built in an offsite facility and assembled in sections on site. Benefits of these systems include much compressed build periods on site leading to reduced impacts from poor weather, labour shortages and overheads, and so can help deliver significant cost savings.

The Passivhaus standard is where the core housing design solution minimises the requirement to heat a property, and instead uses high levels of insulation, mechanical heat-recovery systems and specific building design to reduce building heat loss. From discussions with other housing associations who have built to Passivhaus standards in rural areas, they report various positive impacts including increased product demand and reduced property turnover. A Passivhaus will offer the tenant minimal outlay in energy bills (currently assumed at £150 per annum) making it a truly affordable product, and a potential solution to fuel poverty for customers on stretched incomes.

# Greening



Our priority with all new development proposals will be to take a “Fabric First” approach by installing very high levels of insulation to achieve lower basic property running costs and reduced overall lifecycle costs. This approach is particularly important with SLH committing to not install or renew gas heating after 2025. Currently, electric forms of heating still have higher running costs than efficient gas boilers, even air-source heat pumps. We therefore need to ensure that new build properties are insulated and ventilated to very high standards to reduce heating requirements and therefore running costs, including s106 acquisitions where possible to minimise future retrofitting requirements.

We acknowledge that making a home affordable is not only about how it is built and heated, it is also about service charges applied to the property. On SLH developments we will actively work to reduce the impact of service charges, and where communal areas cannot be avoided, we will design them to minimise the service charge applied to the property.

Comfort not only includes the ease of heating a home, comfort also comes from having adequate living space that is well ventilated, free of condensation and has access to some outdoor space amenity to help promote healthy living. All SLH schemes receiving Homes England grant will be built to Nationally Described Space Standards (NDSS). This is a government benchmark on space standards and although not currently compulsory, it ensures higher levels of space standards than are achieved on many private developments where quantity often trumps quality. We will also ensure SLH-led developments benefit from enhanced landscaping and tree planting where possible to further support a healthy living environment.

When purchasing affordable units on private developments, we are unlikely therefore to be able to achieve NDSS standards. To enable us to charge Affordable Rent on these schemes, rather than the lower Social Rent, we would need to submit the units to Homes England for approval as part of the Affordable Homes Programme under “Nil Grant”. Homes England require “Nil Grant” units to be at least 85% of NDSS, so we therefore require all “off the shelf” purchases to meet this base level of space standard as a minimum.

# Case Study

## Halton, Lancaster



Working with Lune Valley Community Land Trust, Lancaster City Council and John Gilbert Architects, we are currently progressing the development of 20 new high-quality homes for both affordable rent and shared ownership on a currently derelict brownfield site at Halton in Lancaster.

The homes have been designed to Passivhaus standard, and when completed will be fully Passivhaus accredited and compliant. Passivhaus homes represent an innovative low carbon build solution that drastically reduce domestic energy consumption, and therefore are entirely in step with the emerging Future Homes Standard which will seek to promote the highest levels of energy efficiency in newly constructed homes from 2025.

Residents typically see energy use reduce by 80-90%, with a consequent reduction in home energy bills and a hugely positive impact on combating fuel poverty.

Because of the construction method and high degree of air tightness and insulation, Passivhaus homes are typically warm in winter, cool in summer, and benefit from much improved sound insulation. Sector research demonstrates that RP's that have already delivered Passivhaus schemes have reported significantly reduced rent arrears and shorter void periods, which has a substantial impact on long term sustainability.

The new homes have also been designed to be spacious, practical and comfortable homes for their type, with internal floor areas typically around the Nationally Described Space Standard (NDSS) plus 5%. It is currently anticipated that construction work will start on site in the early part of 2021 with the scheme being completed during mid to late 2022.



# Case Study

## Parkside Road, Kendal

We are also currently progressing the redevelopment of an obsolete former garage site with 5 new quality 3-bedroom family homes for social rent and shared ownership.

We are using this relatively small in-fill development as a 'test bed' and learning process to inform the progression of our SLH Greener Homes Standard.

Using a 'fabric first' approach the homes have been designed to perform to the highest levels of thermal performance. They incorporate enhanced insulation to flooring and walls, ventilation improvements, super-efficient boilers, solar PV, smart batteries and heating controls (where solar energy stored during the day is available for residents use in the evenings, and not lost directly to the grid).

The homes have between 75-95% lower emissions than the current Building Regulation Target Emissions Rate, and have Grade 'A' Energy Efficiency and Grade 'A' Environmental Impact (CO<sub>2</sub>) ratings. As such they will be the most efficient homes to run in our entire housing stock. The homes will be completed in late 2020/early 2021.





# Risk

**Failure to deliver the approved development programme to time, standard or within budget will impact negatively on SLH's financial plan and VFM objectives. The management of overall risk impacts to the development programme are closely aligned with SLH's Strategic Risk Register.**

Ongoing management and mitigation measures include:

01

Providing regular updates to Development Committee and Board on development activity.

02

Ensuring all schemes are subject to detailed prior financial appraisal and a formal approval process.

03

Ensuring approved development programme resources and targets in place.

04

Ensuring Development and Finance teams jointly and actively monitor overall programme delivery.



# Value for Money

Delivering on our growth ambitions and developing more assets will over time drive down our per unit costs for management and maintenance and thereby support our value for money objectives.

Over this strategy period we will have undertaken a full review of all our existing procurement arrangements and frameworks for contractors and consultancy services. This will ensure that we are achieving transparency and cost efficiency in delivering our programme, together with providing appropriate compliance and assurance.

We are particularly keen to explore potential consortia arrangements to further drive down costs in relation to greening our future product offering, for example in the procurement of certain MMC solutions which require volume to achieve cost efficient delivery through a 'procurement club' arrangement with other interested Registered Providers. Early stage exploratory work is on-going around this and we will report progress to the Development Committee as the workstream matures.

# Development Assumptions, Financial Appraisals and Scheme Approvals



The SLH Board undertakes an annual review of development assumptions used to inform the financial appraisal of development schemes. These include a number of underlying working assumptions to produce agreed key hurdle rates (also subject to annual review) against which potential schemes are tested.

We use the Proval development appraisal system to assess all development projects. Used by over 250 social housing providers, Proval is the market leading Financial Viability assessment tool. Scheme approvals will be supported by comprehensive Proval viability reports.

All projects are subject to appraisal throughout four key approval stages. Stage 1 is outline, stage 2 is land purchase, stage 3 is tender, and stage 4 is completion. For "Off the Shelf" section 106 acquisitions a single Stage 2 and 3 land and tender approval is sought.

# Homes England



Cumbria remains a key growth area for Homes England, the government's 'housing accelerator' and key provider of funding to support new affordable housing. The agency understands delivery difficulties in our location associated with sourcing build materials, access issues and land costs, and will consider higher grant rates where necessary. SLH will continue to apply to Homes England for grant funding as part of the Affordable Homes Programme and future programmes as they emerge. The balance of development costs will largely come from SLH loan facilities, but where available finances fall short, we will look at subsidising the schemes from other sources.

These sources can include:



Proceeds from property disposals.



An element of Market Sale on suitable sites to cross subsidise the affordable element.

Any funding from Homes England will be applied in line with the Capital Funding Guide and Compliance Audit guidelines. The Development audit checklist will be followed for all schemes and signed off by the Head of Development before grant is claimed. These measures are in place to ensure compliance with funding regulations.

Additional income streams to support new affordable housing developments can also be generated by fees for development services provided to Community Land Trusts and others, for example as with Lune Valley CLT and the scheme at Halton.



## Question or feedback?

If you've any questions or queries about our Development Strategy, please contact us directly at:  
[development@southlakeshousing.co.uk](mailto:development@southlakeshousing.co.uk)