STRATEGY DOCUMENT

Service Area:	Development
Document Ref No:	GRSTDV01
Subject Title:	Group Development Strategy 2024-2029
Version:	6
Date of Issue:	03/12/2018
Last Review Date:	08/05/2024
Next Review Date:	01/05/2027

Contents

1.0 Background and summary

This document sets out Progress Housing Group's development strategy for the five-year period from April 2024 through to March 2029.

This strategy supports the Group's strategic aims:

- Providing more and better homes
- Supporting individuals and communities to achieve independence
- Creating opportunities

This strategy includes delivery of:

- Affordable rent housing - Affordable Rent; formula rent; social rent (Progress Homes)
- Low-cost home ownership (Progress Homes)
- Housing for the elderly (Progress Homes)
- Supported Living accommodation (RWP)

This strategy provides a framework and principles for delivering growth of the Group's stock through development activity and acquisition of property. Final delivery output numbers to be facilitated through this strategy will be determined by the Group's Long Term Financial Plan (LTFP) and the business plans of individual business streams. Financial scenarios will continue to be examined and presented to Board annually. In addition to asset-based units, a number of leased based units for supported living will be delivered by RWP.

The Development Strategy provides an overview of the national and regional political, funding and economic context that impacts delivery of homes. To maintain relevance, the strategy will be reviewed annually. The strategy provides the Development Team with clear direction, whilst ensuring enough flexibility to consider opportunities when they present.

In order to ensure sustainability of investment and drive resource efficiencies, the Group is committed to delivering a development programme that meets the range of needs and demands of its existing and future customers, including equality and diversity objectives.

This strategy encompasses delivery of new homes for both Progress Homes and RWP business streams, with clearly identified commitment for both.

There is no intention to deliver further outright sale units within the timeframe of this strategy beyond completing Concert Homes' current development commitments.

Delivery of further accommodation for Progress Living remains opportunity led, although it is not anticipated that any further accommodation will be delivered within this strategy period. Any opportunities that present and may prove suitable would be subject to specific business case detailing need, risk, financial impact and return for Board consideration.

2.0 Progress Homes - Strategic context

The government previously committed to increasing housing supply to 300,000 additional units per annum by the middle of the 2020's. It is unlikely they will achieve this target.

During the 2022-23 financial year, 63,605 affordable homes were completed, an increase in delivery by 7% from the previous year and the highest number of new affordable homes delivered since 2014-15. Approximately 50% of these homes were supported by grant and 50% delivered through nil grant section 106 planning gain agreements. Broadly, 65% of overall affordable delivery was for rent and 35% for low-cost homes ownership.

In July 2017, on behalf of the Combined Authorities Housing Group (made up of 14 local authorities), Lancashire County Council commissioned a Housing Growth Analysis Study by Cushman and Wakeman. Their findings confirmed that across the County 'more' and 'better quality' housing was needed to support economic growth and regeneration programmes.

Household numbers in Lancashire are projected to grow from an estimated 515,825 in 2018, to 587,565 by 2043, an increase of 13.9% (+71,740 households), slightly lower than the average growth rate for England of 16.2%. The five local areas projected to grow fastest:

- Chorley - +12,101 / 24.4%
- Fylde - +9,253 / 24.6%
- Ribble Valley - +5,560 / 21.4%
- Rossendale - +5,568 / 18.3%
- Wyre - +8,734 / 17.7%

The slowest growing areas are:

- Preston - +4,636 / 8.0%
- Blackburn with Darwen - +3,595 / 6.3%
- West Lancashire - +2,492 / 5.4%
- Blackpool - +2,703 / 4.3%

Nationally the percentage of households aged 65 and over is estimated to rise from 28.7% in 2018 to 36.4% in 2043. In Lancashire the estimated increase is 31.5% (162,673 households) in 2018 to 39.4% (231,759 households) by 2043. The highest local growth areas:

- Wyre - 50.2%
- Fylde - 49.1%
- Ribble Valley - 45.5%

The lowest local growth area:

- Preston - 29.3%

Average household size across Lancashire is predicted to reduce from 2.30 to 2.19 people by 2043, with the number of single person households projected to rise by 17.9% to 34.9% of all households by 2043. This is slightly higher than the England projected average of 33%. The local areas with the highest proportion of single occupancy households in 2043:

- Blackpool - 41.2%
- Fylde - 39.9%
- Preston - 38.7%
- Burnley - 37.7%

Households with dependent children in Lancashire are predicted to increase slightly by 0.8% by 2043, making up 23% of all households. This is lower than the projected England average of 24.7%. The local areas with the highest proportions in 2043 are projected to be:

- Blackburn with Darwen - 29.6%
- Hyndburn - 25.7%
- Rossendale - 25.1%
- Preston - 25.0%

The Lancashire Housing Growth Analysis Study indicates:

- Lancashire's housing market is more varied than in other counties with high value coastal and rural locations where the private residential market is strong. There is a desire from local residents to remain in these prestigious locations when considering where they want to live and work.
- On the back of Preston City Deal investment, developers have been encouraged to expand housebuilding on larger sites on the outskirts of the city. Areas such as Cottam, Grimsargh, Garstang and Fulwood continue to expand rapidly.
- There is ongoing increased demand for quality housing to meet the needs of skilled workers and young professionals moving to the area.
- Local Authorities, County Council, Homes England, Ministry of Defence, have large assets and landholdings to realise housing and commercial development potential.

To focus assessment of Progress Homes development priorities, the Local Plans, Strategic Housing Market Assessments (SHMA) and relevant Supplementary Planning Documents (SPD) for key Local Authority partners have been reviewed and inform this strategy. This data will support development delivery investment decisions, along with the consideration of Progress Homes existing asset holding in the proposed area in terms of property type and size. Bidding demand data will also be used to ensure suitability of development schemes proposed and that overall stock holding in a given area remains as appropriate as possible.

Preston, South Ribble and Chorley

Central Lancashire Strategic Housing Market Assessment (September 2017)

On-site provision of affordable housing
Market housing schemes of 15 or more homes are required to provide 30% affordable housing. Rural market developments of 5 or more are required to provide 35% affordable housing.

Affordable housing need per property type

	1 bedroom	2 bedroom	3 bedroom	4+ bedroom
Chorley	46%	28%	23%	3%
Preston	44%	26%	27%	3%
South Ribble	45%	28%	25%	2%
Central Lancashire	45%	27%	25%	3%

Housing Mix

	1 bedroom	2 bedroom	3 bedroom	4+ bedroom
Market	0-5%	25-30%	50-55%	15-20%
Low-cost home ownership	15-20%	40-45%	30-35%	5-10%
Affordable housing (rented)	35-40%	30-35%	20-25%	5-10%

Blackpool, Fylde and Wyre
Fylde Coast Strategic Housing Market Assessment (February 2014)

Assessed affordable housing need per property type

	1 bedroom	2 bedroom	3 bedroom	4+ bedroom
Fylde	65%	16%	11%	9%
Wyre	51%	26%	13%	10%
Blackpool	62%	2%	16%	21%

Fylde
Local Plan to 2032 (adopted December 2021)

Settlement development hierarchy

Key Service Centres	Local Service Centres	Tier 1 - Larger Rural Settlements	Tier 2 - Smaller Rural Settlements
Lytham (including Ansdell)	Freckleton	Newton	Clifton
St Annes	Warton	Staining	Elswick
Kirkham	Wesham	Wrea Green	Singleton
	Whitehills		Weeton
	Whyndyke		

On-site provision of affordable housing
All market housing schemes of 10 or more homes are required to provide 30% affordable housing or 1, 2 or 3 bedroom homes.

Affordable demand per property type

Size	Associated property types	Proportion required
Below 50m^2	Studio or small 1 bedroom apartment	18%
50-69m^2	2 bedroom flat or small mews house	30%
70-89m^2	2/3 bedroom house, semi-detached or mews	28%
90-109m^2	3/4 bedroom family semi-detached house or small 4 bedroom detached house	11%
110m^2 or more	Larger 4+ bedroom family detached house	13%

Wyre
Wyre Local Plan 2011-2031 (incorporating partial update of 2022 – adopted January 2023)

On-site provision of affordable housing
For market developments of 10 units or greater:

Settlement	% Affordable Housing	
	Brownfield	Greenfield
Fleetwood	0	0
Thornton, Cleveleys, Knott End, Preesall, Preesall Hill, Stalmine, Pilling	10	30
Poulton-le-Fylde, Hambleton, Garstang, Forton, Hollins Lane, Scorton, Cabus, Bowgreave, Catterall, Bilsbourrow, Barton, Inskip, Churchtown/Kirkland, St Michaels, Great Eccleston, Calder Vale, Dolphinholme (Lower)	30	30

Blackpool
Affordable Housing Supplementary Planning Document (June 2012)

On-site provision of affordable housing
For market developments of 15 units or greater:
30% affordable housing - split of 80% social/affordable rented and 20% intermediate tenure.

Affordable demand tenure types
A mix of 2, 3 and 4 bedroom family homes will generally be expected. Flats and single-bedroom properties will only be acceptable in exceptional circumstances where the applicant can demonstrate specific need.

3.0 Progress Homes - Development programme approach

3.1 Demand and intelligence

The provision and management of affordable general need housing is at the heart of the group's strategic vision. The commitment to continue delivering new homes for those who have a need or requirement is a core strategic aim. In the context of this strategy, the term affordable rent should be taken to include properties let at Affordable Rent, formula rent and social rent.

Progress Homes also delivers low-cost home ownership homes in the form of shared ownership, which remains a key Government initiative to assist in supporting the market, entry into home ownership and tackling affordability issues. There are in excess of 250,000 households owned through shared ownership products in England. Since 1999 the group has developed and now manages over 350 shared ownership properties.

The shared ownership market varies significantly throughout the country. The highest number of shared ownership properties are in and around London, but the product is recognised nationally. Purchasers are assessed to ensure they qualify as a charitable beneficiary and that they acquire an appropriate level of initial equity.

Economic conditions continue to impact on the cost of mortgage lending but there remains good availability of shared ownership mortgages. This is reviewed by the Sales Team and reported monthly to Director (Development) and quarterly to Financial Appraisal Team. Leasehold reforms are also monitored as this may further impact in the future.

In addition to shared ownership homes, the number of discounted market sale properties has increased. This product is used to assist housing developers meet their section 106 planning gain commitments on outright sale schemes, usually providing them with a greater capital receipt than traditional shared ownership. The extent and impact of this product upon shared ownership delivery and demand continues to be monitored.

The Group owns and manages a significant portfolio of elderly and independent living accommodation. This stock is actively reviewed to ensure it remains desirable. The Group are developing a scheme of 92 extra care homes in Lancaster which will complete in year 2 of this strategy. Lancashire County Council have adopted a strategy to develop an Extra Care scheme in each local authority area. Suitable extra care opportunities will continue to be considered in the future, subject to financial capacity, performance and strategic priority. Lessons from the completed Lancaster scheme will be fed in to such future considerations.

Benchmarking

A significant number of developing organisations have reduced proposed development outputs as a response to current economic conditions. Each association establishes their own assumptions to support their financial appraisals methodology and assess development scheme performance. This includes varying levels of subsidy between tenures, individual projects and overall programmes. A limited number of providers continue to deliver outright sale homes in their programme with the aim of supporting the financial performance of their affordable homes.

The Group benchmarks appraisal methodology and assumptions, being comfortable they are in line with similar sized organisations with similar development scale and commitment.

Competition for development opportunities across all procurement routes remains high, as evident in our priority areas by the number of other developing organisations including new providers entering the area. This competition elevated by the pressure organisations are under to fulfil their Strategic Partnership funding obligations to Homes England.

Demand

Information is gathered from a range of sources including housing need surveys, waiting list data, engagement with key partners and consultation with existing customers. The group utilises the latest Local Plan published by each local authority, along with discussion with key officers within the authority to confirm that opportunities identified meet a required need, with evidence submitted during the planning approval process.

For shared ownership schemes, valuation and marketing advice is sought to ensure sufficient market demand exists and unit types are appropriate. Whilst demand exists for shared ownership in most locations, greatest demand is in markets where affordability is most stretched. Market demand, valuations, sales periods, incentives, specification and competing sales outlets, both existing and those that may be delivered in the future, are taken account of when the approval of a shared ownership scheme is being considered. The Group's shared ownership sales experience is strong. This need category financially contributes positively towards the overall development programme.

3.2 Geography

Preferred core areas for the delivery of affordable housing for Progress Homes has been identified based on knowledge and experience of locations and housing markets, as detailed in the map at appendix 2. The Group liaise with local authorities, establishing identified housing need and appropriately directing development investment. Primary focus for future development is around the central Lancashire and directly adjacent authorities, along with the A59 corridor, with travel time taken into account in more rural areas i.e. South Lakes, Craven. These areas are considered to offer existing organisational strength both in terms of development success and management expertise.

These priority areas reflect the scale of development programme for Progress Homes and focussing delivery in these areas will assist in maximising efficient use of resources during development and subsequently in management. Suitable opportunities in other geographic areas that allow new supply delivery of critical mass to enable efficient management will be considered, subject to specific business case.

The geographical spread is fairly typical for an association of our size, with over 50% of stock holding being in South Ribble and Fylde, our original local authority stock transfer areas.

Progress Homes delivers new homes outside the North West in Craven and Harrogate, where the Group is a section 106 delivery partner. Significant opportunities to develop in these areas remain. Based on the local authority's projected assessment of housing need and likely level of market development, it is reasonable to develop total stock of approximately 300 units across Craven and Harrogate before the end of this development strategy period in March 2029. Homes delivered in this location perform well in financial terms. The proximity to our office bases alongside our experience in managing geographically dispersed stock means that this number of units will be more than sufficient to deliver reasonable economies of scale.

Rural housing will be delivered where possible and appropriate. The group is conscious of the value of our rural communities and the difficulties local people often face finding affordable and suitable accommodation to allow them to remain in their communities. Affordable homeownership in rural areas will be considered with specific consideration, as stair-casing restrictions may apply or a requirement for the Group to buy back the property at point of sale, which could be restrictive for both the Group and the purchaser.

3.3 Funding and subsidy

The group will utilise loan facilities in line with the LTFP to finance Progress Homes developments. The following subsidy and grant will also be used as appropriate:

- Homes England grant funding – The Group are an existing Strategic Partner of Homes England, alongside Onward Homes. This funding will support schemes commencing on site by end March 2026. Opportunities to access further grant funding will be maximised where possible, including to support remodelling or re-development of existing assets via our active asset management strategy
- Section 106 nil grant – either through acquisition of discounted properties directly from developers or through the use of commuted sums that local authorities accumulate when developers discharge their site-specific affordable housing obligations by making payments to the local authority
- Internal subsidy – in specific instances for significant schemes, they may be approved outside of usual financial performance requirements through Board consideration

All committed expenditure will be contained within the annual approved development budget and future financial forecasts and will fit with the approved LTFP. Internal subsidy will be considered in the context of delivering an aggregate development programme with a positive effect on the group's long-term financial plans.

The group has expertise in developing, selling and managing shared ownership properties, recognising that to grow organically by developing new properties there is a requirement for the aggregate development programme to have a positive financial effect upon the group. The surplus derived from shared ownership properties will support this aim.

3.4 Delivery routes

Progress Homes' development programme will be delivered via a variety of procurement routes detailed in this section to ensure available opportunities are maximised.

Land led

The move away from delivering outright sale housing, will result in less delivery of land led schemes for Progress Homes than envisaged under the previous strategy. This reduction also fits with the scale of the proposed programme and the opportunities available to us through other delivery routes, whilst assisting in mitigating risk and maximising the efficient use of staffing resources. Where suitable land led opportunities are identified or presented, they will still be fully considered. Progress Homes standard house types will continue to be utilisied when designing and delivering land led opportunities.

Package deals

The majority of grant funded Progress Homes delivery in this strategy period will be through package deals. Enough opportunities are presented by developers in suitable locations to allow us to be selective. This delivery route is less resource intensive for the development team than land led, with the developer taking on the planning and technical site risk.

The Group cannot fully control package deal development house types as the developer usually utilises their own standard house types to maximise planning position and ensure construction efficiency. Through establishing strong strategic relationships with key developers, the Group have been able to influence the design and standards used in order that package deal delivery more closely reflect Progress Homes standard house types.

Significant competition for package deal opportunities from other providers exists, given Homes England Strategic Partnership delivery commitments across the sector. Land availability and rising construction costs have increased the cost of securing package deal schemes. Again, strong established relationships with key developers of good reputation are key to ensuring that Progress Homes secure opportunities that are constructed to an appropriate quality and in a timely fashion, with minimal contract issues arising.

Section 106 planning gain

These opportunities will continue to form a key element of our development delivery. The Group have successfully secured numerous section 106 opportunities, and as result have formed key relationships with a small number of quality housebuilders that can deliver against our size, design, construction, finish, defects and documentation needs.

Concert Homes previously delivered an element of section 106 affordable housing on their open market developments. Removing this aspect is not anticipated to impact upon overall section 106 delivery. Shifts in government policy may present risk to future availability and delivery of section 106 opportunities, along with the potential for Housebuilders to discharge their affordable liabilities through other tenures i.e. shared equity.

Social rent is still occasionally specified as a chosen tenure for section 106 delivery by planning authorities. This is the most likely route to deliver this tenure.

Off the shelf

Opportunities may present to acquire properties directly from the market when they are already complete. Whilst these opportunities do not present often, when they do and fit with our strategy and work to the required performance they will be considered.

Existing assets

The Group's asset management strategy may present opportunities for redevelopment or remodelling of buildings or sites to generate additional development homes, or to mitigate ongoing Group liabilities. This is of particular focus given concern for property standards across the sector. Homes England currently offer time-limited grant funding support for such schemes in specific circumstances and although not currently detailed within this strategy, may present opportunity if the funding period is extended.

3.5 Standards

Standardisation - house types

A range of approved Progress Homes standard house types assist in driving efficiency in the design, procurement, construction, maintenance, component replacement, management of land led homes. Standard house types can also be used to influence the design of package deals homes offered to Progress Homes by developers.

Agreed design principles regarding site layouts and external treatments have also been established, forming the basis of consistent approach with regard to issues that impact upon future management and maintenance e.g. parking, fencing, landscaping, adoptions, etc.

Standardisation - Design Brief

Standard Progress Homes Design briefs have been approved for Affordable Rent, social rent and low-cost home ownership homes. These are reviewed annually in conjunction with internal stakeholders, using data from completed schemes to ensure they represent the product we wish to deliver. Design Briefs ensure homes developed comply with statutory requirements and are consistent in construction quality and finish, clearly defining requirements for contractors and also speeding up the ability to respond to opportunities.

Progress Homes will not always have full control over the design and standards of package deal schemes and section 106 homes. The Design Brief allows the standard and design offered by the developer to be assessed against our ideal standards, so that a comparison can be made and approval considered with full knowledge of standards and design.

Equality and diversity

This aspect is considered within Progress Homes Design Brief. Further work is ongoing to engage with existing and new customers to assess how our development offer can meet equality and diversity needs, whilst remaining financially viable and sustainable.

Development colleagues will be attending further such sessions in the future. The customer post completion questionaries that are sent to customers after properties have been let or sold are also regularly reviewed to ensure maximum benefit can be gained.

Any specific requirements for particular locations are also considered during the design and negotiation phase with developers or landowners. For example, there may be an awareness of a need for a disability adapted family bungalow, or a high proportion of customers from a particular religion in a specific location, which may require design amendments to homes.

Carbon reduction and environmental approach

The Group has an Environmental Sustainability Strategy which supports delivery of this Development Strategy and is reflected in the Design Brief. The average EPC rating for new build properties delivered through this strategy will be 'B'. Minimum standards for new build properties will be achieved, in the longer term these standards will raise further, e.g. Future Homes Standards in 2025, increasing requirements for all units, both grant funded and section 106 nil grant.

The Group will continue to take a fabric first approach to carbon reduction, ensuring homes delivered by Progress Homes are thermally efficient no matter what further technology may emerge in the future. New standards will mean that new homes require elements of green technology in order to meet requirements. Design of homes developed will accommodate the easy retro fit of green technologies e.g. internal space to house storage cylinders, external locations for air source heat pumps, conduit to allow for pipe runs, etc.

3.6 Risk and risk mitigation

Progress Homes rented development

Unknown annual rent settlement position means a level of risk is always likely to exist relating to new Progress Homes rented properties during this strategy period. This will continue to be monitored and representation made where appropriate.

The key risk in providing new affordable rented homes is that properties are not sustainable in terms of the ability to let or through the creation of unforeseen management and maintenance issues due to poor design. The potential consequence being premature disposal of the property, requiring regulator notification and repayment of grant received.

Work to assist in mitigating such risk has been detailed in the standardisation section of this strategy, whilst for each scheme the following will be undertaken:

- Undertake a demand assessment and reconcile this to the proposed property mix
- Assess the appropriateness of any proposed mixed tenure development
- Review the proposed location to ensure the area has adequate infrastructure and amenities to support a sustainable development
- Review the design of the scheme both from a property letting and an estate management perspective in line with the Group's Design approach

Progress Homes shared ownership development

The key risk with affordable home ownership is the inability to sell properties due to:

- Developing in areas unsuitable for a shared ownership product
- Undertaking inadequate market research in advance of developing each scheme
- Inadequate marketing and selling infrastructure
- Bringing too many properties to market in a single location at the same time
- Market competition from other registered providers/developers of shared ownership properties or from alternative products, e.g. shared equity, starter homes, Rent to Buy
- Inability to sell properties at the required price to make a positive financial return
- Limited lending options or expensive lending options for purchasers
- Unfavourable economic condition e.g. reduced mortgage availability, rising interest rate

In order to mitigate this risk for each Progress Homes shared ownership scheme a marketing report and sales plan is produced prior to any contractual commitment. This is re-assessed throughout the development period and subsequent marketing and sales phases to ensure it remains appropriate. The ongoing marketing and selling of properties will be decided on a scheme appropriate basis using internal resources, outsourcing, or a combination of both.

All risks, implications and mitigations are presented in the approval paper at scheme approval consideration, and wherever possible schemes will comply with design and specification standards detailed in the standards section of this strategy.

Developing shared ownership homes creates risk that cannot be fully mitigated. At approval consideration stage, the impact of the project upon the overall level of shared ownership across the development programme is considered. This includes the position against an 'early warning' system which currently sets maximum unsold exposure liability at 120 units. This limit includes completed units that are unsold, units that are contract committed and phases on sites where there is no facility within the contract to halt construction. The methodology for assessing sales exposure risk is reviewed periodically to ensure it remains appropriate to both the scale of the programme and the quantum of sale risk. The Financial Appraisal Team receive a report on the sales position and exposure on a quarterly basis.

Appropriate exit strategies for sales homes remain continually under consideration where units fail to sell over an extended period. This may include conversion of a shared ownership units to another need category, i.e. Affordable Rent or Rent-to-Buy. Progress Homes have not previously delivered Rent-to-Buy as a category, but this will be considered if and when this category may represent an appropriate exit strategy. Such category change would likely require regulatory and local authority approval and be reported to Board.

Progress Homes independent living

It is not envisaged that this need category will form a key strand of delivery for Progress Homes under this development strategy period. However, should suitable opportunity present, then risk consideration and mitigation will follow the same basis and approach as Progress Homes rented development detailed previously in this section.

3.7 Progress Homes - Strategic approach 2024-29

Scale of programme

The scale of the Progress Homes development programme to be delivered via this strategy will be assessed against the new delivery investment capacity detailed in the LTFP. The LTFP is reviewed annually. It is noted that Progress Home units generally have a lower net cost than RWP units. Total group anticipated delivery during this 5-year strategy period is likely to be slightly less than the numbers delivered by the previous 5-year strategy (c.1000 units). This reflects wider economic conditions, although numbers will be established through ongoing annual assessment of the LTFP.

Balance of need category

The split of units that will be delivered by Progress Homes will be 70% of total Group development delivery. Of those homes delivered by Progress Homes, the broad split of need category will be 70% for rent and 30% for shared ownership. This strategy covers the completion of the Group's first purpose built extra care development. Any further independent living or extra care delivery will be considered via specific business case.

Principles

It is important that Progress Homes developments are within the following parameters:

- All existing commitments under the Group's Homes England Strategic Partnership funding agreement (in partnership with Onward Homes) covering schemes commencing on site between April 2021 and March 2026 are fulfilled and delivered
- Secure additional Homes England funding through the existing Strategic Partnership arrangement or any subsequent appropriate funding programme to maintain delivery of new supply for Progress Homes

- Grant and other subsidies are sought and maximised where they are available, their use is appropriate and commercially sensible
- Opportunities to secure delivery of affordable housing through nil grant section 106 planning gain agreements with private housebuilders are maximised where suitable
- Maintain existing and develop further strategic relationships with developers and housebuilders
- Work in partnerships with local authorities to deliver additional homes through use of their section 106 commuted funding pots in lieu of grant
- Key risks related to development function are assessed at a corporate level
- Each individual development is appraised in the context of risk through an agreed risk matrix methodology at approval stage by FAT, then by the Development Team prior to contract, throughout the construction contract and following practical completion up to the point where the scheme is ready to be charged
- A clear, realistic exit strategy for each new development where possible and appropriate
- Wherever possible, schemes will meet the minimum standards of the approved design brief for that specific category and type of property and where this is not achieved, variation is noted, considered, justified and approved
- Maximise opportunities that arise from procurement frameworks and partnering arrangements
- Ensure value for money is benchmarked and achieved through procurement and additionality is maximised
- Utilise the active asset management approach where applicable to identify areas of dis-investment and/or remodelling of existing stock and access any grant funding that may be available
- Where any internal subsidy is required beyond approved NPV performance hurdle, the level will be assessed, deemed appropriate and specifically approved for each individual project
- Rents will be established using agreed methodology in line with regulatory requirements
- Sales values will be supported by valuation and purchasers will acquire the maximum initial sale tranche percentage that they can afford, based on agreed assessment methodology
- All shared ownership sales will comply with charitable requirements

4.0 National strategic context for Supported Living - RWP

Through RWP, Progress Housing Group is a national provider of supported living accommodation primarily for people with learning disabilities, autism and mental health issues. RWP works across 126 local authorities managing 4,300 units. The next largest providers of Supported Living accommodation are probably Inclusion Housing Association, (c.4,000 tenancies) and Golden Lane (c.2,500 tenancies). The Group wish to remain one of the largest providers of supported housing in the country and maintain our position as a significant provider and influencer.

The sector remains dominated by a number of small (often less than 1,000 tenancies), specialist housing associations with larger providers generally not holding significant numbers within their portfolios. A number of new entrants to the sector in recent years has seen a significant rise in leased development. Focus from the Regulator of Social Housing remains in leased based organisations due to the growth in numbers delivered through this model and increase in private finance and investment trusts supporting this delivery. RWP continue to monitor the sector to react appropriately to any change in the situation.

There is little detailed information available about the demand for Supported Living accommodation. The few indications that are available take a national perspective.

RWP is a founder member of the Learning Disabilities and Autism Housing Network (LDAHN). In 2023 the LDAHN commissioner Housing LIN to undertake research into the size, scope and future demand for supported living for adults with learning disabilities and autistic people.

The research revealed that:

- Between 35,000 to 38,500 adults with a learning disability and autistic people aged 18 years and over in England live in supported housing.
- Over 80% of supported housing for people with learning disabilities and autistic people in England is provided by Registered Providers of social housing.
- This type of supported housing provides high levels of care and support, with 43% receiving 100+hours per week.
- The long term sustainability of the sector is greatly reliant on the continued payment of higher levels of housing benefit for rent and service charges, with around 31,000 people with learning disabilities and autistic people receiving exempt payments.
- Over 35,000 live in supported housing with care and support
- 5,600 new supported housing units developed in last 5 years with limited grant

The indicators are that sector growth has slowed over the last few years, largely because of the regulator's intervention, but still remains significant. Although capital funded development is a preferred model for many larger, more established providers, the majority of growth in the sector is through the leasing model.

A significant number of lease-based supported living providers have been declared non-compliant for some time by the Regulator. There has been limited consolidation activity thus far, possibly as a consequence of governance challenges in some organisations and the fact that most providers concerned are lease-based, so have limited balance sheet strength. RWP are likely to receive merger enquiries in the future from other organisations. These opportunities are not included within the delivery numbers covered by this strategy and will be assessed and considered on an individual basis. The challenge in assessing any potential mergers will be determining those that have the capacity to add strength to the organisation.

There are relatively few providers in the sector with the specialist knowledge and expertise required to deliver, finance, manage and maintain this type of accommodation, particularly on an asset basis. Some of the reasons for this is are:

1. Historically, there has been little or no capital grant to assist delivery. For example, approximately 90% of the Group's portfolio has been developed without grant.
2. As a result of point 1, rents are much higher than ordinary social housing rents. The regulator's rules on this are complex as are the Housing Benefit regulations which apply to the tenants. Quite apart from the expertise involved, many associations have been discouraged by the perceived risk which higher rents might entail.
3. Management and maintenance processes differs significantly from ordinary general needs accommodation. For example, nearly all of our supported living accommodation requires water temperature regulation at the point of use.

Commissioners are gradually becoming more aware of the regulatory framework for housing providers and of the risks inherent in the lease-based model. The work of the Regulator and the current number of non-compliant providers is important to this shift, as has education and persuasion from the compliant sector (including RWP and LDAHN). Guidance issued by the Local Government Association (LGA) in 2021 which, at least in part, addressed the lease-based provider issue, has also had some impact.

Most commissioners remain under-resourced but there has been improvement in the provision of information we need to ensure regulatory compliance, whilst some are beginning to steer away from the poorer housing provider performers in the sector and are improving their plans and strategies relating to our core client groups.

However, many commissioners still pursue an approach favouring ready packaged, often leased based solutions. It is common for commissioners to encourage care providers to create and lead 'partnerships' including housing providers to deliver off the shelf packages of housing. Whilst the situation with many Commissioners fully appreciating design, specification and quality issues is improving, there remains an absence of consistency in sufficient emphasis being placed on these aspects, along with unrealistic delivery timescales. This can often result in 'partnerships' in which lease-based investors are being favoured.

The Group are a partner of choice for many adult social care commissioners and health trusts across England so are well placed to positively influence. A key priority in delivery will be to further develop our relationships with care providers to improve our access to this commissioning route and to encourage the creation of more strategic local planning and commissioning models in the future.

The most important factor is that demand for new Supported Living accommodation remains extremely strong in many parts of the country. The constraint for RWP delivery will be around our ability to deliver at speed and to ensure the necessary available resources.

5.0 Development programme approach – RWP

5.1 Demand and intelligence

The Group through RWP is a national provider of supported living accommodation primarily for people with learning disabilities, autism and mental health issues. RWP was created following Reside Housing Association joining the group in 2021-2022. The RWP business stream adds to the offer the Group makes to the market and ensures our position as a key policy and strategy influencer in relation to supported living is maintained.

The Group's supported living portfolio is geographically spread (see map at appendix 1), which is untypical for a housing association our size, however, quite normal for specialist providers of supported living accommodation, especially those with similar level of stock.

The Group is one of the main organisations delivering supported living on an asset owned basis. There are issues within the sector with regulatory compliance, which appears to be more prevalent in smaller, leased based organisations and the Group is seen as a leader with regard to demonstrating good practice and regulatory compliance.

By working closely with commissioning teams, the Group has developed an expertise and understanding of how to meet the housing need of people with autism, learning disabilities and mental health conditions. The skills and experience of both delivering and managing these specialist schemes has meant that commissioners often approach the group as a first option. The Group is committed to continuing to develop and manage this type of accommodation and maintaining our status as one of the leading national providers.

The Group have secured such opportunities through packages tendered by commissioning authorities. We will continue to pursue this route and encourage Commissioners to engage in identifying property requirements early in the tendering process and required support is in place. We will work with support providers to assist them in meeting accommodation requirements so that they can fulfil their tender packages and meet housing need.

Since 1999 the group has developed and now manages 25 supported shared ownership homes purchased by people who have learning difficulties, often known as HOLD (Home Ownership for People with Long Term Disabilities. There is growing demand for this model in the North, where there are no currently active RPs offering the product.

Benchmarking

The response in development programme approach to current economic conditions by a significant number of general needs developing organisations has been to reduce development outputs. The impact on organisations developing asset based supported living is less clear, however there is clear evidence of ongoing significant supported living lease-based delivery.

All associations establish their own assumptions that support their financial appraisals methodology to assess development scheme investment and performance, including varying levels of subsidy between tenures, individual projects and overall programmes. Due to the nature of Specialised Supported Housing exempt rent, it is important that newly developed individual supported living schemes perform financially in their own right. The performance of RWP schemes and programme is therefore measured in isolation.

The Group benchmarks its appraisal methodology and assumptions and is comfortable they are broadly in line with similar sized organisations with similar development strategy scale and commitment.

Demand

Competition for development opportunities varies across procurement routes and locations. For asset-based delivery, this competition may be from small general need housebuilders or developers, whilst for lease-based delivery this may be from other housing providers. RWP do not undertake speculative development of schemes and therefore are led by commissioner requirements and clear identified need.

5.2 Geography

RWP manages stock, both asset-based and leased, throughout the country with the majority of stock holding in England (see map at appendix 1). Existing relations and the scale and distribution of stock holding means opportunities may present more readily in some locations. The core area is represented by a cross country swathe from the north west, across the midlands through Nottinghamshire and over to Lincolnshire and East Anglia.

Development opportunities will focus on the areas with strong commissioner relationships that are considered to be an existing RWP organisational strength in terms of historic development and management expertise. This does not exclude other geographic areas with approaches for delivery of opportunities in other areas continuing to be considered, depending upon the scale and nature of the opportunity and subject to the resulting business case. With regard to totally new locations, management and maintenance delivery will be considerations, with preference will be given to those locations where multiple rental streams can be delivered.

The Group is experienced in managing properties in locations that are remote from the head office base. Analysis of Maintenance costs indicate that the key factor in the level of maintenance cost is not the distance from the managing office, but the distance between properties commissioned within the same maintenance package. New maintenance contracts for RWP have been entered into.

5.3 Funding and subsidy

The Group will utilise loan facilities in line with the LTFP to finance RWP developments. Subsidy through grant funding from NHS, local authorities and county authorities is sought in appropriate circumstance, usually in relation to Transforming Care or complex schemes. To ensure an exempt rent can be secured, grant received must be charged against a group asset, which generally extends beyond the specific property being developed i.e. the grant

utilises available charging capacity the Group has in existing stock. The scale and impact of this charge is monitored and the impact assessed as part of the approval process.
All committed expenditure will be contained within the annual approved development budget and future financial forecasts and will fit with the approved LTFP. Grant funding from Homes England is not currently readily available for supported living schemes although indications are that Homes England are working to address this to some extent and therefore the Group continue to explore the potential of this option.

5.4 Delivery routes

The RWP development programme will be delivered through a variety of procurement routes as detailed within this section to ensure available opportunities are maximised.

Land led

Unlike Progress Homes delivery, RWP will remain partially dependant on securing suitable land led opportunities. The scale of the RWP asset-based development programme and the nature of the properties being commissioned suit small scale new build development on smaller infill sites. These are not as complicated as larger sites, also carrying less risk and less resource input to promote planning status and deliver. RWP maintaining this as a dedicated delivery route will assist in greater control of the future development pipeline, and the design and quality of developments. These schemes will tend to be multi-unit, self-contained developments including core and cluster developments driven by commissioner requests.

A land sourcing procedure has been developed for use by the development team to ensure that available land is identified when it reaches market. Relationships have been developed with land agents and planning consultants to ensure off market opportunities are identified.

The active asset management strategy may also identify existing group assets that could form newbuild development sites for re-development.

Package deals

This route will deliver mainly against RWP lease-based requirements. With sites or properties being identified, acquired and constructed by a developer, with RWP then leasing the completed properties. Some package deals are presented to RWP for acquisition, but this will be a minority proportion of their overall delivery programme. This route provides RWP with less control over the design and specification standard of the properties.

There is competition for leased package deal delivery from other providers. Therefore, establishing relationships with reputable developers is key to securing opportunities that are constructed to an appropriate quality, in a timely fashion, with minimal contract issues.

Section 106 planning gain

Some authorities now recognise supported living accommodation in their required section 106 nil grant delivery by housebuilders. This route will not offer the same control over standards and specification of other routes and this aspect will form a key consideration of the investment approval decision to ensure sustainability and minimise future liabilities. This delivery is always likely to remain a minor proportion of overall delivery for RWP.

Off the shelf

Opportunities may present to acquire properties directly from the market when they are already complete. Whilst these opportunities do not present often, when they do and fit with RWP strategy and work to the required performance, they will be considered.

Portfolio or lease acquisition

The Group manage a significant portfolio of properties that are currently leased from a number of different investors. A significant leased portfolio of 60 units was acquired during the previous strategy period using the methodology and process previously established to progress such opportunities. Acquisition of further existing leased portfolio opportunities will be assessed in the same manner in the future.

RWP may also be offered leased portfolios from the other leased providers in the market. If such opportunities arise, then RWP will not have the same knowledge about the properties, nor relationships with tenants, commissioners or support providers. The methodology used to assess will need to be amended to reflect this. Our maturing lease take-on process will facilitate this.

Existing assets

The existing RWP portfolio may present opportunities for re-development or re-modelling that includes delivery of additional supported living homes. Opportunities will be assessed through agreed asset management methodologies to establish investment recommendations.

Leased

Leased delivery will form a key strand of the RWP programme. The group continues to exit from existing poor performing leased schemes. New leased delivery usually has a shorter development timeframe than asset-based delivery, requiring less resource input, but less control and reduced certainty over being homes for life for tenants.

Opportunities are assessed using agreed appraisal process. A standard form of lease has been established for such schemes, with standard terms that act as the starting point for negotiations to minimise future liabilities and standardise approach as far as possible.

Such schemes may be newbuild or refurbishment, but development risk and resource input will be taken on by the developer or lessor with RWP entering a lease after works are complete. Design and specification of all proposed schemes will be assessed against our standard design and specification in order that the impact and implications of delivering a given scheme can be fully assessed at approval stage.

Refurbishment

The majority of asset-based delivery for RWP will be through acquisition of property from the open market followed by RWP procuring and undertaking remodelling or improvement work. The focus for this will be on shared properties, usually, but not exclusively bungalows with up to 5 tenants. Some projects may require extension and planning permission may be a consideration. Works will be in line with design brief as far as is practicable and consider both the needs of the tenants and ease of de-conversion with regard to exit strategy.

In addition to acquisition of properties, the active asset management strategy will identify assets that are already in ownership that may require re-development to deliver a more appropriate solution to accommodate changing tenants needs, or may deliver additional income streams.

5.5 Standards

Standardisation – house types

It is not possible to produce standard house types for RWP Supported Living new-build accommodation due to the variety in tenant requirements. However indicative standard layouts have been designed covering layout principles to be used as a baseline design with site layout and external treatment design principles also established. This forms the basis of our approach ensuring a consistent approach with regard to issues that may impact upon future management and maintenance e.g. parking, fencing, landscaping, adoptions, etc.

Standardisation – design brief

Standard Specification Design briefs have been agreed for supported living covering both new-build and refurbishment delivery routes. These are reviewed on an annual basis in conjunction with other internal stakeholders using data from completed schemes, to ensure they represent the product RWP wish to deliver. They ensure properties developed comply with statutory requirements and are consistent in construction quality and finish, clearly defining contractor requirements and speeding up the ability to respond to opportunities.

RWP developed properties are recognised as exemplar across the sector with regard to quality of design and specification. Given development resources available the RWP Design Brief is being reviewed to ensure standards remain market leading but appropriate and sustainable, minimising future liabilities, with the aim of achieving improved value for money and deliver greater number of homes with the same resource. Space standards will not be reduced.

RWP may not have full control over the design and standards of leased delivery, package deal schemes and section 106 units. The Design Brief allows the standard and design offered by the developer or investor to be assessed and compared against our ideal standard, so that a comparison can be made and approval considered with full knowledge of the standards and design of the property.

Equality and diversity

This aspect is considered in the RWP Design Brief. Further work is ongoing to engage with existing and new customers, families, advocates and support providers to assess how our development offer can meet equality and diversity needs, whilst remaining financially viable and sustainable. Development colleagues will attend further such sessions in the future. The customer post completion questionaries that are sent to customers after properties have been let are also regularly reviewed to ensure maximum benefit can be gained.

Carbon reduction and environmental approach

The Group has an Environmental Sustainability Strategy which supports delivery of this Development Strategy. The average EPC rating for new build properties will be ‘B’. In the longer term, these standards will raise further, for example Future Homes Standards in 2025. The approach is slightly different for refurbishment and leased schemes, where performance will be maximised as far as practicable with the target being ‘C’. This aspect will be covered within approval considerations given the need to comply with emerging standards during the strategy period.

The Group will continue to take a fabric first approach to carbon reduction. Ensuring homes delivered by RWP are thermally efficient no matter what further technology may emerge in the future. Although the new standards will mean that new homes may require elements of green technology in order to meet requirements. Design of RWP development properties will accommodate the easy retro fit of green technologies e.g. internal space to house storage cylinders, external locations for air source heat pumps, conduit to allow for pipe runs, etc.

This aspect needs to be carefully considered for RWP schemes as specific noises or vibrations may impact adversely upon particular tenants, who may require very controlled environments within their homes. This means that some solutions may not be desirable or possible in all circumstances.

5.6 Risk and risk mitigation

Regulatory requirements for Specialised Supported Housing rent compliance are detailed. RWP’s approach is established and supported by a clear checklist to ensure compliance. The standardisation and approval approach detailed in this strategy results in full awareness of risk across all delivery routes, be that new build or refurbishments, asset or leased.

A large proportion of RWP's future development programme will be shared accommodation which presents potential compatibility issues leading to increased void risk. The rent funded model also generates significantly higher rents than affordable or formula rents.

In mitigating or eliminating risk, a number of re-provisions and lease conversions will be delivered by RWP due to changes in tenant needs, changes in compliance and older stock becoming non-compliant or not fit for purpose.

Importantly, the vast majority of Supported Living units are conventionally constructed, single family dwellings which are capable of ready conversion back to ordinary residential use for use by Progress Homes or for sale, as a readily available exit strategy.

The Group will mitigate its risk by ensuring that all new developments have the greatest chance of long-term sustainability but that in the event that schemes had to be closed there would be a clear exit strategy. In this respect it will ensure the following are in place:

- There will be a focus on key areas where there is an existing presence and where the commissioner and/or support provider relationship is strong. Development in other areas will require a supporting business case
- All new developments whether asset or lease based, to meet the required financial performance hurdle rate
- All new developments to investigate whether capital subsidy is available to deliver rents at lower levels
- Focus, where possible, on generating new build self-contained accommodation
- Wherever possible, mitigate void and early sale exposure to the maximum extent
- Standard form of lease agreement with terms that form the basis of negotiations so that approvals can fully consider final agreed position

In terms of exit strategy:

- All supported living tenancies issued will be Assured Shorthold Tenancies (other than in exceptional circumstances)
- There will be an agreement with commissioners to implement a formal review in the event that a scheme's financial viability is threatened. This will involve dialogue with commissioners with a primary aim of ensuring the long-term viability of the scheme but if this is not possible to ensure that the scheme is closed in the most appropriate manner
- If scheme closure was the agreed course of action the Group would look to dispose of the property on the open market or consider an alternative use

5.7 RWP - Strategic approach 2024-29

Scale of programme

The scale of the RWP asset-based development programme to be delivered through this strategy will be assessed against the capital investment capacity detailed within the LTFP that is available to support new delivery. The LTFP is reviewed on an annual basis. It is noted that generally RWP units have a higher net cost than Progress Home units. It is anticipated that RWP delivery under this 5-year strategy period will be greater than supported living delivery numbers delivered by the previous 5-year development strategy. This reflects wider economic conditions, although numbers will be established through ongoing annual assessment of the LTFP.

The scale of the RWP lease-based development programme to be delivered through this strategy will be monitored against annual attrition numbers for leased units that are already under management. Minimum target delivery in any year will use the previous year's lease attrition number, with a level of additionality above this number to be agreed annually.

Balance of need category

The split of asset-based units that will be delivered by RWP across this strategy period will be 30% of the total Group development delivery.

Strategic principles

It is important that RWP developments, be they asset or lease based, are within the following parameters:

- All existing commitments with grant attached are fulfilled and delivered
- Grant and other subsidies are sought and maximised where they are available, their use is appropriate and commercially sensible and does not compromise the Group's future lending position
- Opportunities to secure delivery of supported living housing through nil grant section 106 planning gain agreements with private housebuilders are maximised where suitable
- Key risks related to development function are assessed at a corporate level
- Each individual development is appraised in the context of risk through an agreed risk matrix methodology at approval stage by FAT, then by the Development Team prior to contract, throughout the construction contract and following practical completion up to the point where the scheme is ready to be charged
- A clear, realistic exit strategy for each new development where possible and appropriate
- RWP will develop both new build and refurbishment asset-based homes. Self-contained will be developed where possible, but it is acknowledged that shared accommodation will form a significant part of delivery in instances where it is clear this is the most appropriate way of meeting identified need

- Delivery of high cost, single occupancy schemes for high complex needs via capital acquisition will be limited under this strategy beyond those schemes currently in committed pipeline. This restriction will not be applied to lease based opportunities where no internal development resources are required.
- RWP will enter lease agreements for both new build and refurbishment homes delivered by developers and investors, including portfolios with institutional investors. Both self-contained or shared are acceptable where commissioner support and need is clear
- Where possible, acquire suitable properties that form an existing portfolio that the Group leases to convert them to Group assets
- Seek out other suitable portfolios held outside the group and acquire these
- The opportunity to support home ownership through delivery of further Home Ownership for Long Terms Disabilities (HOLD) schemes will be explored
- Form strategic partnerships with suitable support providers to deliver the residential element of tender packages and maintain intelligence around stock disposals and to access commissioners that may favour this type of partnership package
- Secure suitable tender opportunities for the Group
- Re-provision, where appropriate, for existing tenants
- RWP asset-based development delivery priority will be on areas with existing strong commissioner relationships and established stock levels, as per the map detailed at appendix 1
- Delivery in other locations will not be excluded but subject to specific business case
- Deliver lease-based accommodation that delivers the most suitable accommodation to meet need in a particular location
- Wherever possible, schemes will meet the minimum standards of the approved design brief for newbuild or refurbishment and where this is not achieved, variation is noted, considered, justified and approved
- Utilise TECS offer to greatest effect to ensure sustainability and best support for residents
- Maximise opportunities that arise from procurement frameworks and partnering arrangements
- Ensure value for money is benchmarked and achieved through procurement
- Utilise the active asset management approach where applicable to identify areas of dis-investment and/or remodelling of existing stock
- Supported living rents will be established using agreed methodology in line with specialised supported housing regulatory requirements
- Rents will be considered against the level of regional care comparator in line with the Group's Specialised Supported Housing (SSH) Assurance Procedure which ensures compliance with the RSH Rent Standard

6.0 Partnership and procurement

Partnership

To achieve objectives contained within the strategy, there is a requirement to:

- Continue to develop our existing partnerships and extend and create new partnerships with local authorities, commissioners, support providers, housing developers, contractors and the National Health Service
- Continue to develop more formalised strategic partnerships with speculative developers, housebuilders, planning consultants and land agents

The Group may need to form partnerships with other developing registered providers to share the risk involved including land, holding, construction, sales and letting.

Procurement

The group will utilise a competitive process of procurement wherever possible. Where procurement is through a package deal, value for money will be considered in the context of the total acquisition cost as a whole. The group will explore land acquisition opportunities, particularly for RWP, where possible as previously detailed.

In relation to development related procurement there is a requirement to continue to review the effectiveness of existing procurement frameworks such as Cutting Edge and consider alternative approaches. Delivering social value outputs is key to the procurement process with requirements of the Public Services (Social Value Act) 2012 being covered within the framework procurement. Effective benchmarking is key to ensuring appropriate comparative measurement.

A consultant framework is also proposed for RWP development, given the specific considerations that are required for these developments. This will be established during year 1 of the strategy period and access is likely to be extended to other supported living providers in return for a fee. This approach will generate value for money in the cost of the services being procured due to increased scale beyond RWP's development programme, whilst covering a proportion of the set up and administration cost of the framework itself. There is also the benefit of spreading expertise and quality across the wider sector.

The use of alternative methods of construction such as modular off-site, will continue to be assessed and investigated.

Value for money

Ensuring value for money in development delivery and subsequent management resource input is a key consideration. Relevant details of both successful and un-successful projects are captured to inform future bids.

Our standardised specifications and design approach assists in ensuring value for money is delivered in the ongoing maintenance and management of completed schemes. Where possible and appropriate additionality will also be delivered through the development programme including apprenticeship and training opportunities and positive contributions to local communities.

This assists in ensuring best use of available resources and that Progress Homes and RWP deliver schemes that meet required financial performance parameters.

7.0 Development funding and performance

Development funding

Development at the proposed level does not materially impact upon operating margins and interest cover, and supports ongoing resource in management and maintenance. There is no reason to think that the proposed strategy will have any adverse impact on funder's future appetite to lend, or on the cost of funds.

The development programme will be funded by the following approach:

- Maximise income from rents whilst operating within rent guidelines and delivering affordability for customers
- Maximise funding from revenue and grants and source capital contributions from public bodies and other stakeholders were advantageous
- Deliver value for money by making improvements to services, processes, procurement, standardisation, future maintenance costs, ensuring efficiencies are maximised
- Utilise an active asset management strategy and re-invest the proceeds of asset sales
- Effectively use existing funding and secure additional funding when required through debt, to the extent that it can be supported by continuing operating surpluses

Financial assumptions

The financial appraisal assumptions are refreshed annually with approval delegated to Executive Board to sign these off. Acquisition and development allowances generated by delivering the development programme cover the staffing resource cost to deliver the programme.

Financial performance – Development programme

A single year of development delivery represents approximately 2% of the Group's stock holding, so the impact of any individual year's programme on the overall financial position of the Group is minimal.

In order to ensure successful delivery of the strategy, our financial performance hurdle requirements have been reviewed against other comparable developing organisations and considered against the need to protect the long-term financial viability of the Association. Minimum performance parameters for the development programme across all need categories remain unchanged from the position at the end of the previous strategy.

Progress Homes schemes, both affordable rent and low-cost home ownership are assessed using a 40-year net present value (NPV). Individual affordable rented schemes need to deliver a minimum NPV of £0 per unit, with an overall programme NPV average for affordable rented of positive £8,000 per unit. Low-cost home ownership schemes need to deliver a minimum positive NPV of £10,000 per unit.

RWP supported living asset-based schemes are assessed using a 30-year NPV, with a residual value of the asset included in the financial appraisal. Schemes need to achieve a minimum positive NPV of £10,000 per unit (income stream) and generally a maximum positive NPV of £20,000 per unit (income stream), although the maximum level will be considered on specific schemes where appropriate.

RWP supported living lease-based schemes are assessed using a bespoke, approved excel based appraisal model that has been prepared by finance colleagues. This requires a minimum of £0 NPV and 17% gross margin per annum.

Delivery of all of the above need categories across both Progress Homes and RWP business streams will remain in line with current and future revisions of the approved LTFP.

Grant

The Group, in conjunction with Onward Homes, are a Homes England Strategic Partner for the period from April 2021 through to end of March 2026. This allows access to grant to support development activities for a high proportion of schemes that will commence on site during this period. The funding per unit has been increased since the agreement was originally entered in to, therefore, approximately 400 homes will be supported by this grant. Currently, this funding agreement will end part way through this strategy period. The Group will enter discussions at the appropriate time to extend the agreement or access any new arrangement to secure ongoing access to future grant.

Other grant including local authority grant to support all delivery and NHS grant to support RWP delivery will be sought and secured where appropriate.

Circumstance for review by board

In order to ensure the recommended approach is only applied in appropriate circumstances, it is recommended that a review of the development strategy and appraisal hurdle rate will be brought back to board for a decision if other events resulted in a material change in the financial forecasts from these plans, such as:

- A material "black swan" event in excess of £3m, or a series of similar events over a series of years which in aggregate exceed £5m
- A significant weakening or failure of the local housing market
- A significant decrease or increase in Homes England grant rates of more than 10% of the current blended level

The nature of the housing market, government policy and economic conditions means that over time these will experience some shift that may not trigger the above. The Development Strategy will continue to be reviewed on an annual basis to ensure the supporting data remains relevant, assumptions are correct and that the strategy support successful development whilst strengthening the business.

Development resources

Development Team resources will be regularly assessed to ensure they are suitable to support successful delivery of this strategy i.e. sales resource to ensure suitable sales rates can be maintained across all of the required sales outlets. The acquisition and development allowance that are applied to all schemes will also be reviewed annually.

8.0 Key performance indicators

Key Performance Indicators (KPIs) for the development function are detailed at appendix 3. Performance monitoring against strategy defined outputs will be monitored and reviewed regularly as per performance monitoring detailed at appendix 4, covering both Progress Homes and RWP delivery.

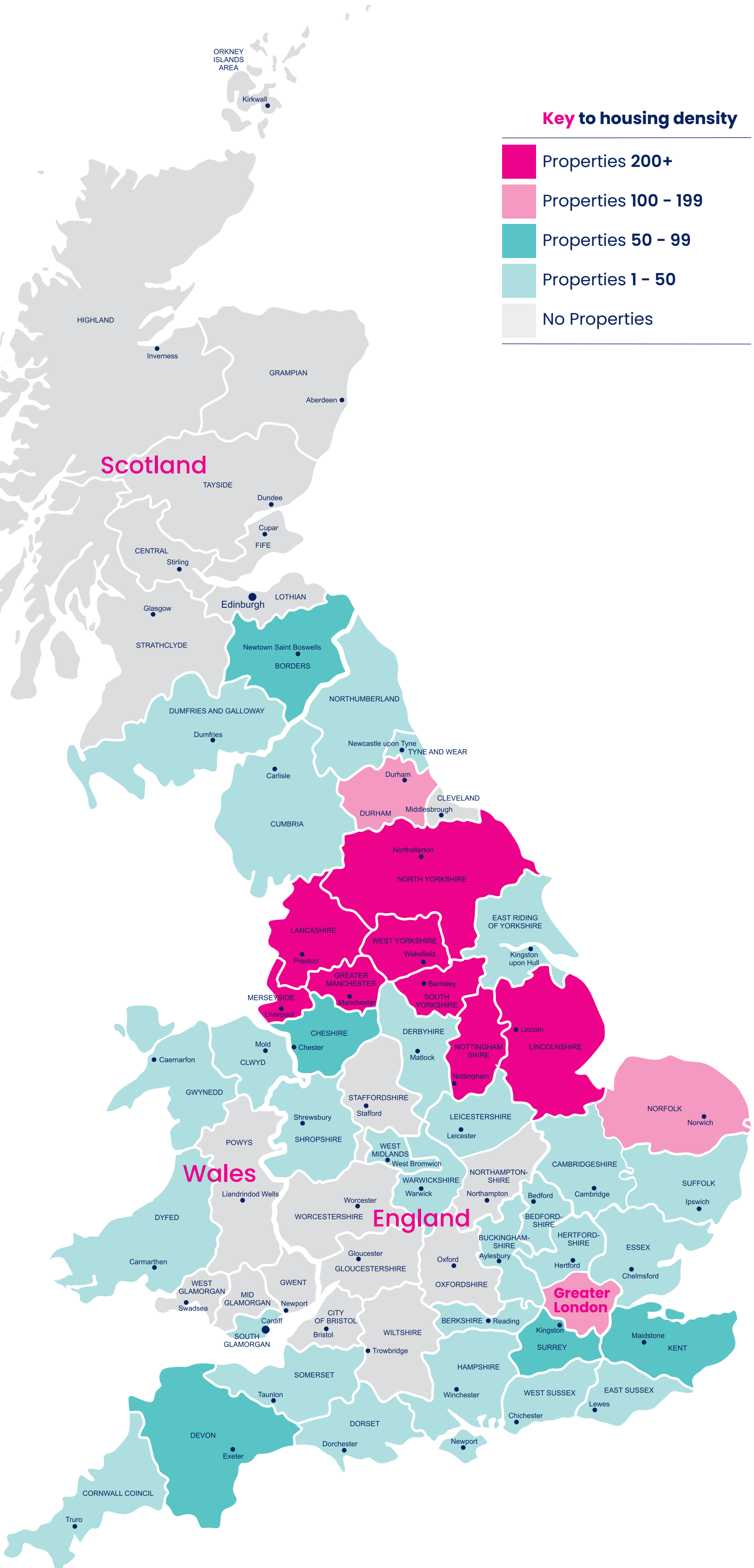
Reside with Progress
Housing density map

Reside With Progress

Appendix 1

Key to housing density

- Properties 200+
- Properties 100 - 199
- Properties 50 - 99
- Properties 1 - 50
- No Properties



England

Bedfordshire	8
Berkshire	6
Buckinghamshire	22
Cambridgeshire	56
Cheshire	72
Cornwall	1
County Durham	157
Cumbria	12
Derbyshire	32
Devon	98
Dorset	24
East Riding of Yorkshire	15
East Sussex	18
Essex	42
Greater London	192
Greater Manchester	311
Hampshire	64
Hertfordshire	38
Isle of Wight	25
Kent	89
Lancashire	633
Leicestershire	98
Lincolnshire	274
Merseyside	262
Norfolk	167
North Yorkshire	78
Northamptonshire	3
Northumberland	24
Nottinghamshire	384
Rutland	7
Shropshire	27
Somerset	5
South Yorkshire	189
Suffolk	49
Surrey	102
Tyne and Wear	56
Warwickshire	13
West Midlands	12
West Sussex	6
West Yorkshire	481

Grand Total	**4,303**

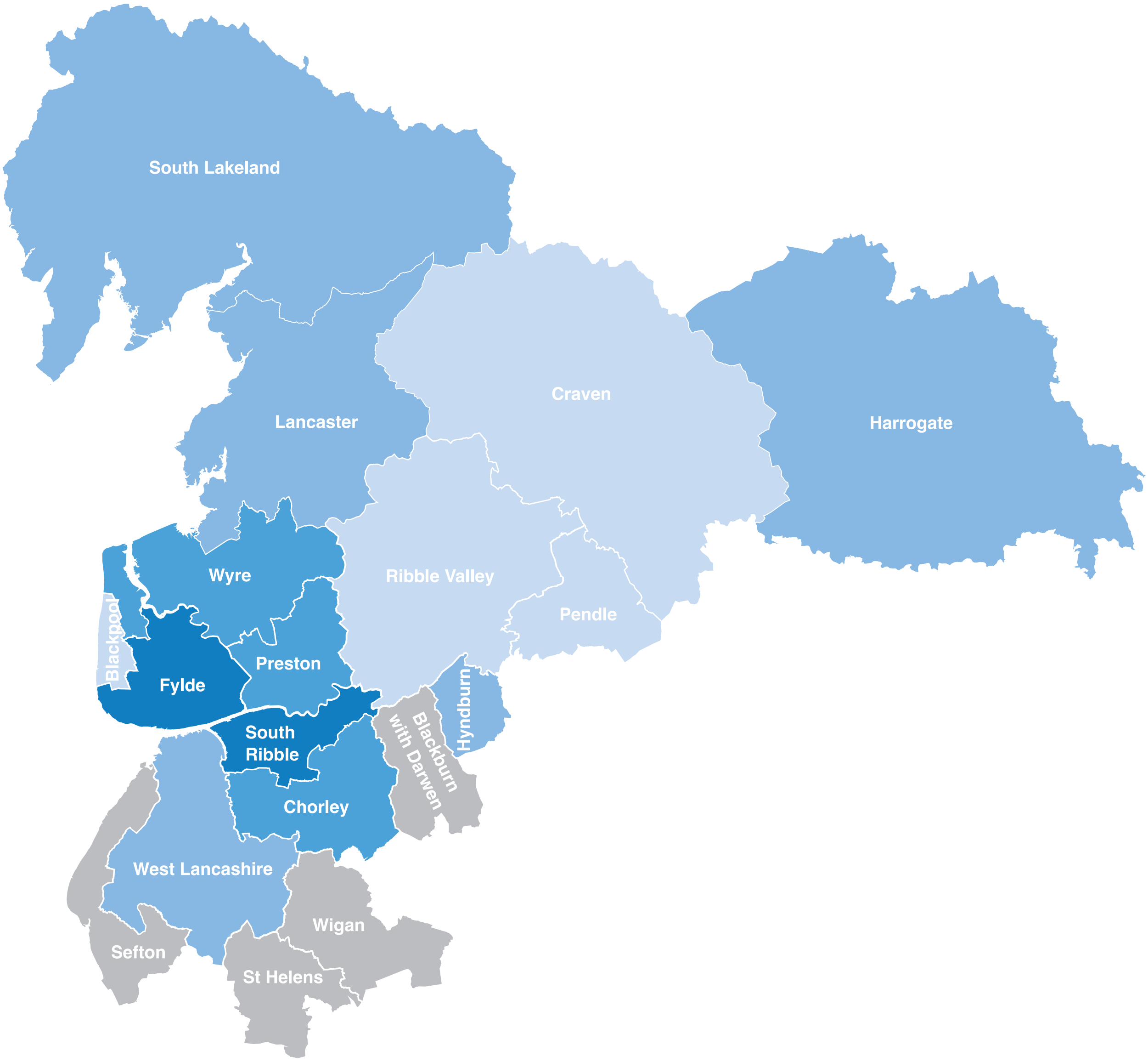
Scotland

Dumfries and Galloway	39
Scottish Borders	58

Wales

South Glamorgan	8
Clwyd	7
Dyfed	6
Gwynedd	14

Progress Housing Association*
Development priority map (including housing stock density)



Key to housing density

- Properties **1,000+**
- Properties **201 - 999**
- Properties **51 - 200**
- Properties **1 - 50**

Local authority	Total	Rental stream	Shared ownership
Blackpool	47	39	8
Chorley	326	304	22
Craven	15	13	2
Fylde	2,242	2,205	37
Harrogate	55	38	17
Hyndburn	55	55	0
Lancaster	54	27	27
Pendle	1	1	0
Preston	235	176	59
Ribble Valley	39	17	22
South Lakeland	112	88	24
South Ribble	3,786	3,717	69
West Lancashire	90	76	14
Wyre	206	151	55

* Progress Housing Group is the external trading name of Progress Housing Association.

Appendix 3 – Key performance indicators

2024-2029 – Total XXX units

Year end – Progress Homes	2024/25		2025/26		2026/27		2027/28		2028/29	
Completion versus target	-	-	-	-	-	-	-	-	-	-
Capital expenditure versus long term financial plan budget	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Shared ownership exposure limit (units)										
Shared Ownership – maximum target sales period	6 months		6 months		6 months		6 months		6 months	

Year end – RWP	2024/25		2025/26		2026/27		2027/28		2028/29	
Asset completion versus target	-	-	-	-	-	-	-	-	-	-
Capital expenditure versus long term financial plan budget	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Leased completions versus target										

Appendix 4 - Performance monitoring framework

Key performance indicator	Monitored by	Report	Frequency
Completions versus target	Board	Quarterly Finance performance report	Quarterly
		Annual Development report	Annual
	Executive Board	Quarterly Management Accounts	Quarterly
	Financial Appraisal Team	Quarterly performance report	Quarterly
Net present value (programme average) versus target	Board	Annual Development report	Annual
	Executive Board	Quarterly Management Accounts	Quarterly
	Financial Appraisal Team	Quarterly performance report	Quarterly
		Individual schemes - 3 months after practical completion (FAT3)	Quarterly
Capital expenditure versus budget	Board	Quarterly Finance Performance report	Quarterly
		Annual Development report	Annual
	Executive Board	Quarterly Management Accounts	Quarterly
	Financial Appraisal Team	Quarterly performance report	Quarterly
Unsold units versus exposure limit units	Board	Quarterly Finance performance report	Quarterly
	Executive Board	Quarterly Management Accounts	Quarterly
	Financial Appraisal Team	Quarterly performance report	Quarterly
Sales period versus target	Financial Appraisal Team	Quarterly performance report	Quarterly