

Development

Strategy 2021-2023 and beyond



Living Longer, Living Better



Outstanding Homes



To Be Market Making in Independent Living



To #LoveWhereYouLive

We want to invest in new homes of the future, meeting the aspirations of our current and future customers. Our new builds will be energy efficient, actively contributing to reducing carbon emissions, making them environmentally friendly and cost efficient.

Value for money is a key element to the delivery of our development strategy, we will actively work with developer partners to drive down costs, utilising their expertise in development delivery, land finding and procurement partnerships which in turn will strengthen our funding and development opportunities.

Customers are the key to our success! We will work closely with customers on the design of newbuilds and utilise their feedback to continually improve our products and customer offer.

Our Key Facts:



We have built 56 homes up to March 21



We sold 10 shared ownership homes off plan



70% of our current programme delivery is older persons accommodation



We have built a new business portfolio from scratch, strengthening partner relationships and building bridges



We have developed and started to implement our independent living future concept. We have created design principles, which will be applied to new developments and sites as part of an expanding portfolio of contemporary independent living for Johnnie Johnson Housing's residents aged 55+. The design principles have identified a series of themes, ranging from:

- The type and size of apartment living, including a fresh new look and feel, and compliance with the new National Described Space Standards and accessibility requirements.
- The acceleration of SMART Tech and SMART Building innovations to benefit and support residents and Johnnie Johnson Housing, and to look towards achieving the Future Homes Standards using a fabric first approach and air source heat pumps where viable. We are still at the very early stages of learning about what M&E specification is required, how this impacts on our customers and how viable this is both for development and our long term maintenance provision. We will test, learn and modify our approach accordingly.
- A new strategy explores how the common areas of a building could not only support residents and their families and friends, but become a local Neighbourhood Hub providing social, learning and leisure activities for all to engage in.

Our Corporate Priorities:

21/22

- ✓ All homes meet the legal safety and development standards.
- ✓ All homes have a SMART and green investment plan.
- ✓ Our first brand new independent living scheme is submitted for planning.

22/23

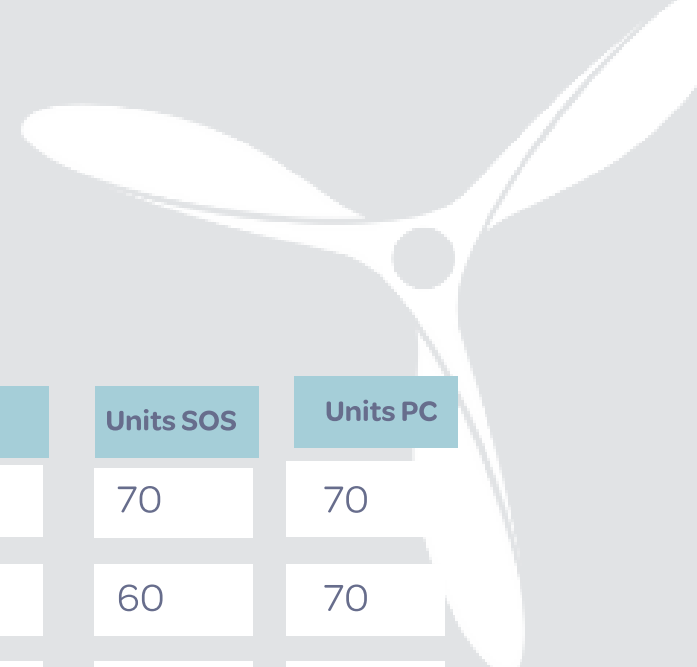
- ✓ Have tested/monitored components to reduce our carbon emission on new builds.
- ✓ To have started on site with two independent living schemes of the future.
- ✓ To be exploring MMC.

23/24

- ✓ Continue to reduce on carbon omissions and test green technologies in our new builds.
- ✓ To have completed one independent living scheme of the future.
- ✓ To be exploring pod construction and have tested other MMC products.
- ✓ Our homes are award winning.

Beyond

- ✓ Be building one independent living scheme per year .
- ✓ To have converted our IDL of the future to POD construction.



Measures:

	Units SOS	Units PC	Year	Units SOS	Units PC	Year	Units SOS	Units PC
21/22	51	34	24/25	103	131	27/28	70	70
22/23	102	53	25/26	70	133	28/29	60	70
23/24	157	17	26/27	70	149	29/30	30	60
						30/31	0	30
Total	650	747						

The business figures will continue to evolve and be reviewed. Our ambition is to deliver approx 1,000 homes over 11 years. The figures used above are those approved at Board in June 21.

Market Trends & External Analysis

This is a challenging but exciting time for development. Below highlights some of the challenges now and in the future.

The Government's ambition is to build 300,000 homes per year. Some £7.39 billion is available through Homes England for delivery of up to 130,000 affordable homes by March 2026. A new focus on MMC and sustainability and the introduction of the new-shared ownership model and the right to shared ownership.

Challenges

Action

New model shared ownership



We now know that the new model shared ownership (and the new right to shared ownership) is linked to the 2021-26 Homes England funding programme and its use will be encouraged for new S106 schemes. We also know the initial share will be from 10%, 1% staircasing will be permitted to a maximum of 15% and the shared owner will have limited repair liability during the first 10 years of the term.

Our main challenge in this area relates to our positive first tranche sale parameter, recently approved. Due to the high build costs relating to our independent living model, shared ownership would not be deemed a viable model in lower value areas, in some areas the schemes still meets our year-35 breakeven but are unable to proceed as they do not meet the first tranche sale parameter. We will need to balance the risk associated with removing this parameter against the Homes England expectations of mixed tenure developments with a high proportion of shared ownership as outlined in the bidding prospectus.



Planning for the future



The Government is keen to go ahead with First Homes (new homes with 30% discount secured in perpetuity for local people and key workers). First Homes is to benefit from Community Infrastructure Levy relief. First Homes will be delivered through S106 agreements; we may see a reduction in affordable homes available to us through planning obligations.



Market Trends & External Analysis

Challenges

Action

First Homes



A planning White Paper had been expected for some time; the long-awaited Planning for the Future white paper was launched on 6 August 2020. The main outcomes being:

- Local communities will be consulted from the very beginning of the planning process. By harnessing the latest technology through online maps and data, the whole system will be made more accessible.
- Valued green spaces will be protected for future generations by allowing for more building on brownfield land and all new streets to be treelined.
- Much-needed homes will be built quicker by ensuring local housing plans are developed and agreed in 30 months – down from the current 7 years.
- Every area to have a local plan in place – currently only 50% of local areas has a plan to build more homes.
- The planning process to be overhauled and replaced with a clearer, rules based system. Currently around a third of planning cases that go to appeal are overturned at appeal.
- A new simpler national levy to replace the current system of developer contributions which often causes delay.
- The creation of a fast-track system for beautiful buildings and establishing local design guidance for developers to build and preserve beautiful communities.
- All new homes to be 'zero carbon ready'. No new homes delivered under the new system will need to be retrofitted, as we achieve our commitment to net zero carbon emissions by 2050, or earlier in some local authorities.



Market Trends & External Analysis

Challenges

Energy White Paper “Powering our Net Zero Future”

- The government has confirmed that it will change building regulations so that from 2025 the Future Homes Standard will deliver homes that are zero-carbon ready. Homes built under the Future Homes Standard should produce 75-80% less carbon emissions compared with current levels and become net zero as the electricity grid continues to decarbonise. The intention is that homes built to the Future Homes Standard will not need to be retrofitted with any additional measures or technology to become net zero.
- The government has also confirmed that it will introduce an interim uplift in building standards from 2021 as a first step towards the Future Homes Standard in 2025. Homes built to the interim standard should produce 31% less carbon dioxide emissions compared to current levels. More details on the interim uplift that will take effect (through Part L of the Building Regulations) is set out in the government’s response to the 2019 consultation paper.
- The increase cost estimated to deliver the above uplifts is between £8k and £10k above our current Johnnie Johnson Housing specification. Homes England has indicated that it will not pay for specification increases to cover future proofing or future building regulations changes. In addition, the grant rates indicated for an independent living scheme is approx £55k per unit against previous grant approvals of around £70k per unit for similar schemes. This is a substantial reduction in grant that Homes England expects to be covered, by maximising our rents to affordable rent, improving our financial parameters and utilising RCGF and internal subsidy through disposals to support scheme viability. Affordable rents will be a big shift for Johnnie Johnson Housing and our customer demographic will change in some areas, requiring a new approach to how we both let and market our properties moving forward. It may also increase our rent arrears as some schemes will sit outside of being universal credit eligible, although the product is still deemed an affordable product.

Action

Help to Buy

Running from April 2021 to March 2023. It is strictly limited to first time buyers and this could lead to an increase in demand for shared ownership from others frozen out of the new Help to Buy.

Leasehold Reform

The Government will be bringing forward legislation for zero ground rents, and will then look at reform of leasehold enfranchisement (including a new 990-lease term on extension).

Predicted Cost Increases

It is being widely reported about the likely increased supplier costs across the industry. These increases are noted to be as high as 30%. We will continue to look at mitigation measures and lobby Homes England to reduce the impact on the development programme.

Our Current and Future Residents – Our Challenges and our Actions

How will our residents change and what will be the biggest challenges?

Demographic trends are clear

We know demand will be strong for our product as the retirement community sector will need substantial growth over the next 20 years just to keep up with age-related growth; with respect to those aged 65+ in England, this means a boost of 37.3% by 2040.

An increasing proportion of the ageing population are homeowners but won't have sufficient housing equity to afford the private sector retirements that housing providers offer, this is an opportunity to tap into those looking for affordable housing through shared ownership and affordable rent.



Ageing population

The UK population is ageing, as it is across the industrialised world. The prospect of longer lives will require people to plan their careers and retirement differently. Ageing populations will create new demands for technologies, products and services, including new care technologies, new housing models and innovative savings products for retirement.

Improved longevity among men means that we will need to think about providing environments that not only accommodate but appeal to this demographic. Single male households are a growth opportunity.

Multi-adult households – particularly couples – are an even larger market opportunity. Future developments may need to incorporate more units suitable to couples, which also means strong strategies to account for bereavement and partner loss.



Customer Financial Strength

We know our key target group for retirement communities – homeowners are aged 68-77 and are best positioned in terms of housing value and more likely to downsize.



Our Current and Future Residents – Our Challenges and our Actions

The Johnnie Johnsons Housing In-Home Digital Offering

There is an expectation for continuous improvement and enhancement as more digital and tech solutions become available and affordable. Designs should ensure future-proofing infrastructure is included and identified. Essentials include site connectivity and open platform systems that complement Astraline services and will be seamlessly incorporated into living and communal spaces of our future new builds.

We know that our customer have physical challenges to using technology, sceptical about the benefits of technology and find it difficult in learning to use new technologies. It's important that our digital offer is simple to use and provides an improved service.



Johnnie Johnson Housing Service Offer

This will complement our new build future independent living schemes. The offer to residents will continue to evolve, hand-in-hand with advances in giving choice to consumers, in building design and digital technology. Homes of the future need to meet the aspirations of the service: to know Johnnie Johnson Housing residents, to be digital first, to be 24/7 where possible; to employ experts, and to add value to residents' lives as well as the business.

Homes and services together must create an experience for residents which promotes increased wellbeing, increased choice/self-service, clarity about what's being charged for and why. Ultimately, this should drive increased satisfaction and longer tenancies. The new service offer is a "jigsaw" of interdependent "modules" These will develop at different speeds in different schemes but with the same objective: Living Longer, Living Better. During 2021 Johnnie Johnson Housing will be running a series of real life pilots at four or five schemes. The aspirations for digital availability are drawn directly from the Scheme of the Future: and the results from the pilots will feed into the ongoing development of new scheme design.

The key challenge is how we balance our ambitious aspirations for independent living, future technology and emerging carbon reduction targets with the reality of what works financially and what funding is available to support this.



What customers want

Decisions around housing moves are complex, and future efforts to connect people to retirement communities will require personalisation rather than a one-size-fits-all approach. People are looking for satisfaction in housing that allows them to age in place.



Our Current and Future Residents – Our Challenges and our Actions

How do our Personas fit with the new strategy?

Our new designed Independent living scheme for the future will consist of a mix of 1 & 2 bedroom apartments with modern, contemporary living, community hub (where viable) and revised service offer. Will have a diverse range of customers depending on demand, locality and affordability.

Predominately our product types of shared ownership, social rent and affordable rent will attract homeowners and residents looking to downsize, those requiring financial support through benefits and those potentially still working part time or with healthy pensions or equity which allows them to digest a higher rent such 80% of market rent.



Our Personas & Asset Management



Fred – over 75

Fred has recently downsized, moving into one of our new studio conversions after his wife passed away. It's a big change for Fred, making the decision to leave his family home and move to an independent living property. He felt the time was right to make a change and that the surroundings and services available at an independent living scheme would meet his needs. Our new conversions give the opportunity for single people to live in an outstanding property with green and SMART technology.



Brian and Jean – couple aged 55-75

Brian and Jean have lived with Johnnie Johnson Housing for over 6 years and they always say it's the best decision they ever made. Their main aim is to remain independent as they get older and live in a home that adapts with them as their needs change. They recognise that whilst they may be in good health now, that might not always be the case. Their property has just had a new bathroom installed, as standard Invisible Creations adaptations have been installed, this is making a huge difference to being able to keep independent and that added peace of mind that they are living in a home for life.



Mary – single aged 55-75

Mary has been a Johnnie Johnson Housing resident for over 10 years, recently moving from one of our general let homes into an independent living scheme. Mary suffers from arthritis, which is starting to flare up more and more. When her new kitchen was installed, we made sure an eye level oven and digital stop taps and USB plug sockets were part of the specification. It means that Mary can still enjoy cooking and doesn't have to worry about climbing into kitchen base units, should she ever need to turn off the water. Mary can also charge her iPad and Facetime her children and grandchildren to reduce isolation.



Elsie – 85+ (Next of Kin has power of attorney)

The work we are doing around digital warden calls through Astraline could really be of value to Elsie. Elsie lives alone with Dementia and her son and daughter both have power of attorney. All independent living properties have linked smoke detection through to Astraline, this gave Elsie's family comfort, although they check on Elsie daily, she sometimes inadvertently set off the alarm and it gives peace of mind that Astraline are always there to ensure Elsie is safe and secure.



Key Elements of Our Strategy

Themes

We will test various types of MMC delivery:

- Ensure future new builds are environmentally friendly and cost efficient for customers. Contributing to the reduction in Carbon emissions and future retro fit costs for Johnnie Johnson Housing.
- Build homes that are digitally ready with flood filled WIFI allowing customers the opportunity to buy in additional services where wanted.
- Be delivering 80% of the development programme for older person's accommodation by 2024.

Our priority tenure types will be:

- Older Persons shared ownership, predominately down sizers aged 68 to 77.
- Social rent and Affordable Rent depending on locality, demand, affordability and viability.
- Priority will be given to larger independent living schemes between 60 and 100 units with the option of community hub if viable.

Have 20% of the development programme flexible to allow for:

- Mixed tenure developments
- Mitigation for shortfall in development delivery.

Consider new development opportunities in areas of existing stock and within an hour's drive of our North West and Yorkshire and Derbyshire sub office.

Investigate options to generate cross subsidy (where viable) through the development of:

- Outright sale
- Market Rent
- Utilising disposal proceeds.

Strengthen our new business opportunities through:

- Option agreements and Land banking.

Strengthen relationships with:

- Local authorities, improving access to local authorities land and potential Cill funding
- Developers for Independent Living package deals
- Homes England for future Continuous Market Engagement funding
- Strategic Partnerships, within Greater Manchester and Yorkshire and Derbyshire and the North East to work in partnership on longer term strategic site opportunities
- Work with the MOD to identify areas of high demand for ex Armed Forces.

Key Elements of Our Strategy

Themes

Appoint one delivery partner to deliver a minimum of one independent living scheme per year. They will:

- Source land and provide a package price for delivery, utilising our specification and brief
- Provide project management services where needed.

Appoint the right team with the right skill set to deliver our ambitions.

Assess the skill set and value for money to fulfil our sales ambitions.

- Recruit internally or outsource the sales function.

Consider leasing opportunities which strengthen the Johnnie Johnson Housing brand and reputation in older persons' accommodation within our agreed geographical spread.

Develop mixed tenure developments where careful design and management has been considered.

We will not:

- Consider Extra Care opportunities unless care is provided by a third party.
- Look at opportunities outside of our agreed geographical spread.
- We will not be a delivery partner on behalf of Local Authorities.
- We will not work in partnership where potential partners do not fit with the Johnnie Johnson Housing values.
- We will not work with developers and contractors that are not financially strong.

Efficiency Savings/VfM

- Reduction of contingency spend.
- Reduced contractor prelims through MMC.
- Reduction in Development interest.
- Increased scheme viability due to reduced contract period, rental income and sales income.
- A reduction in customer heating costs.
- Award-winning schemes.

Measure of Success

- 10% of 5% contingency year 1.
- 20% of 5% contingency year 2 onwards.
- A reduction of £81 (min) per year in customer heating costs.

Our Financials - Budgets

Year ending	Business Plan	Year ending	Business Plan	Year ending	Business Plan		
2022	7.9	2025	30.2	2028	15.6		
2023	4.8	2026	22.1	2029	14.5		
2024	21.8	2027	15.2	2030	9.3		
				3031	2.3	Total	144

Business plan figures as approved June 21.

What External Assurance do we put in place?



- Internal Audit (Development Strategy) Mar 19 Substantial Assurance
- Internal Audit (BP Stress Testing) Jul-19 Substantial Assurance
- Homes England Audit
- Savills Treasury Management Policy & Strategy (which includes Stress Testing)

Our Risks and Mitigations



JJH RISK OH 02a Failure to Deliver Development Strategy



JJH RISK OH 02b House Prices Falling

Our Partners

- Strategic Partners - Greater Manchester & Yorkshire and Derbyshire & North East
- JV North – Homes England Delivery Partner for Continuous Market Engagement
- ICN Framework – Great Places Housing Group
- Accent Consortium – Homes England Delivery Partner (current)
- Local Authorities – Local authority land acquisitions
- IDL Delivery partner – To be sourced
- Homes England – funding partner



GREATER MANCHESTER
LOW CARBON HUB



Fire Safety Steering Groups



Local Authorities



great
places
HOUSING GROUP

