

We enable people to live well
in their home & community.



Development strategy 2022-2027





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Our vision

Irwell Valley Homes (IVH) is all about people. The people who live in our homes, the people living in the communities we serve, and the people we work with.

This 5-year strategy provides direction and clarity on:

- Our Corporate Priorities for development growth
- The geographical areas we will target for growth
- Level of growth and type of growth objectives we will pursue
- Financial requirements, people, skills and systems required to achieve ambitions
- The customer groups and target markets that we aim to supply new homes

The development programme commenced in 2018 and is now at an established stage with new schemes completed, on site and in the pipeline. In total up to March 2022 our development programme has:

- Delivered 403 affordable homes across Greater Manchester
- Invested £63.8m in new homes
- Secured Homes England grant funding of £18.5m

Our current strategy remains to develop new homes predominantly for those in the most need, for social rent, affordable rent, rent to buy and shared ownership, and assumes forms of subsidy for all these tenures will remain. We will ensure that all new opportunities will add value to the organisation by ensuring the right property types and tenures are delivered in the areas where they are needed.

Political and economic uncertainty dominate the operating landscape so we will revisit the strategy if, and when there is substantial change to this, or other necessity to do so.



Our Priorities

The Development Strategy has been developed in the context of our strategic priorities and the external operating environment in which we operate.

The IVH Mission is;

'People live well in their homes and communities'.



We will achieve this by;

- Providing safe and good quality homes and services
- Making a difference in the communities we serve
- Providing more affordable homes
- Supporting colleagues to enjoy work, learn and grow

The Growth and Development Strategy is a pillar within the organisations Business Plan, and works hand in hand with the following:

- Asset Management Strategy
- Environmental Strategy
- Customer Strategy
- Communities Strategy
- Procurement Strategy
- Equality and Diversity Strategy
- Social & Community Strategy
- Digital Strategy
- People Strategy
- Value for Money Strategy

Strategies and implementation plans are cross referenced to ensure compatibility and read across and monitored and reviewed by the Transformation Steering Group, reporting quarterly to Board.



How the Development Strategy supports the delivery of our Corporate Plan

Development programme – this currently includes an estimated target of 1,111 new homes by March 2027, based on investment of £176 million supported by £42 million grant and £10 million sales proceeds over the first five years, which is reviewed on an annual basis;

New funding – based on the current financial plan assumptions, there will be a requirement to secure new funding in November 2023 therefore the negotiations will start in May 2022 to ensure this is in place.

As a result of the above investment and performance targets, we will provide new homes in areas where they are needed, make homes ready to re-let quickly when they become available, and work with partners to reduce homelessness;

The need for new affordable homes

National Context

The National Housing Federation states that England needs 340,000 new homes, including 145,000 affordable homes, until 2031, to meet current demand. This includes 90,000 for social rent and 25,000 for shared ownership.

The Conservative manifesto pledged to “continue to increase the number of homes being built” and referred to a need to rebalance the housing market towards more home ownership. It said progress towards a target of 300,000 homes per year by the mid-2020s would continue, which would “see us build at least a million more homes, of all tenures, over the next Parliament.”

To help to achieve this, Homes England has made available £7.39 billion from April 2021 to deliver up to 130,000 affordable homes by March 2026 through the new 2021-26 Affordable Homes Programme (AHP) – outside of London. This will include 50% of the homes for discounted rent, of which 10% will be supported housing. The remaining 50% of homes will be built for home ownership.

Regional context

The 2019 Greater Manchester Housing Strategy states that the plan is for every resident in Greater Manchester to have a safe, decent and affordable home. A key pillar of the strategy is a commitment to deliver at least 50,000 additional truly affordable homes by 2037, 30,000 of which will be social or affordable rent, by working in partnership with housing providers, local authorities, Homes England and government to maximise investment in new social housing.

A further commitment for every new build in the city-region to be zero carbon by 2028 further demonstrates the green agenda is at the heart of the proposals, alongside the presumption of building on brownfield-first sites as highlighted in Greater Manchester’s draft plan for Homes, Jobs and the Environment.

The Strategy also focuses on the link between housing and social issues such as health and ageing, following intensive working with partners at Greater Manchester’s Health and Social Care Partnership. Proposals include a new ‘Healthy Homes Service’ to help support vulnerable people live safely and independently in their own homes, and a more strategic approach to the provision of high-quality supported housing across the city region.



Greater Manchester have also produced the Places for Everyone Plan which is the result of a process that began with the publication of the first Greater Manchester Spatial Framework in 2016 and has been informed by the feedback received from residents, businesses and community organisations. The strong desire for the plan to make the most of the existing land supply in the urban area is reflected in the Places for Everyone plan with 90% of the land identified for housing in the plan is in the urban area. They have reduced the proposed release of Green Belt – the result being a 60 per cent reduction in the impact on Green Belt land compared to the 2016 Spatial Framework.

Places for Everyone will ensure all new developments are sustainably integrated into Greater Manchester's transport network or joined by new infrastructure. It has been developed alongside Transport for Greater Manchester's (TfGM) Five-Year Transport Delivery Plan, ensuring that new residential and commercial sites are supported by good transport infrastructure, including Metrolink stops and active travel routes.



How we will grow

This Strategy sets the scene in terms of our five-year development ambitions. More detailed development plans, financial performance and risk management will be clearly communicated and agreed by Development Committee in line with the approved Terms of Reference.

Regular reporting to Development Committee on development performance and risk will be undertaken and there will also be performance reports for Irwell Valley Developments Limited (IVDL) for all schemes that are purchased and contracted through this subsidiary.

It is important that development and growth more generally, is developed in close collaboration with the whole organisation and its Board. This strategy has been developed with members of the leadership team, Board and the Residents Scrutiny Panel to ensure our new homes are in the right places, of the right design and quality and for the right people.

A Development Framework document will sit alongside this strategy which will include more detailed information and it will be broken down into local authority areas identifying what type, mix, design of properties we need and how this complements our existing housing portfolio across Greater Manchester.

IVH has been developing a range of new affordable homes and tenures since March 2018 in line with the existing Development Strategy. Our growth has been targeted at Greater Manchester, with a focus in 6 local authority areas which host our largest housing portfolios - Trafford, Tameside, Bolton, Bury, Manchester and Salford. This has been a successful approach and we have developed strong relationships and partnerships, which we will build on.

The two IVH stock transfer estates at Haughton Green and Sale West have both undergone an estate review to determine the requirements for regeneration and community investment. It identified that the Haughton Green estate could accommodate some smaller new build opportunities on infill sites, and it also has the potential for an extra care scheme which was identified as a high need due to the demographics of the local community.

A full masterplan was carried out on the Sale West estate that identified a need for a holistic regeneration approach including new build opportunities, investment in our existing stock and in infrastructure and placemaking. Through investment to improve the local area, IVH aims to restore a sense of community, local pride and belonging for the residents of Sale West. We have made a commitment through our planned programme to invest £7.2m over 5 years to enhance the existing properties and the offer to our customers. In addition, it was identified that there is development opportunity of up to 260 new homes. The masterplan also includes a substantial amount of infrastructure enhancements that will improve access to the estate for our existing and new residents. IVH have made a commitment to partners to deliver this masterplan, which will take up significant resources over the next five years and forms a substantial part of our growth commitment. Phase 1 of the masterplan includes 79 new homes for social rent, and this is a key strategic scheme for both IVH and Trafford Council and a strong partnership working has been established.

The organisation and our external operating environment will continue to change, and it is important that the strategy remains responsive and relevant. Some new opportunities that are complex regeneration or specialist schemes should be considered on the strategic benefits and added value, and where there is a requirement to move away from our standard development assumptions of a £1,000 positive NPV (Net Present Value) per unit, this will be presented to Board for approval.



This strategy will continue our focus on complementing our investment in the six key local authority areas of GM where we have the most stock and the strongest strategic relationships – Bury, Bolton, Trafford, Tameside, Salford, and Manchester. There is also a focus on the areas where our stock is diminishing due to Right to Buy's and Right to Acquires so we can maintain our stock portfolios. This will not preclude opportunities for growth in the other boroughs, or outside of GM, should the opportunity present a strong enough business case and/or strategic opportunity.

Homes England Investment Partner Status

The Government launched the new 2021-26 AHP, of which 50% was identified for continuous market engagement (CME) and 50% for strategic partnerships (SP). Of the £7.39 billion through the 2021-26 AHP, £5.2 billion has been allocated to 31 SPs with 35 organisations. This will deliver 90,000 of the 130,000 homes required through this funding programme.

IVH reviewed the option to bid for a SP with several Greater Manchester associations, but there was no appetite to formally pursue a joint bid. By entering a SP, IVH would be committed to deliver between 500 and 750 homes (of which 50% of units within a SP Agreement need to be Affordable Home Ownership) at a fixed grant rate by March 2028. Given the need to account for the increased and uncertain costs associated with material supplies and meeting new standards for sustainability, developing using MMC (of which 25% of units within a SP Agreement must be), and the significant costs of developing on brownfield land, and supply chain shortages, the IVH Board approved that on balance the current risks associated with securing a SP funding agreement outweighed those of continuing with the CME route. IVH will continue to bid through CME as this gives more flexibility for our approach to new opportunities.

If the CME funding diminishes over the coming years, IVH will consider approaching an existing Strategic Partner with similar values to determine if we could be added as a new delivery partner within their existing agreement.

Development team

The recruitment of experienced Development professionals has always been a challenge. The recent increased housing market activity in both the private and affordable sectors, has led to significantly increased salary expectations across the sector, this has impacted on the team with two colleagues recently leaving the organisation for enhanced opportunities.

IVH reviewed the Growth & Development team structure in 2021 and a new structure was put in place to increase the team capacity and realign it to the market. The team has now been established based on the committed and pipeline programme included in the Financial Plan. All costs are capitalised and funded from a percentage fee of each scheme cost.

Currently two members of the team have been recruited as graduate trainees and we will continue our successful programme of entry level posts, alongside offering ongoing opportunities for internal promotion where possible for team members. We will continue to use experienced and trusted development consultants when necessary to support business development opportunities and scheme delivery. We will maintain a flexible approach to resourcing the team, recognising the high demand and swift promotion offered to talented development staff.



Procurement

We work closely with our internal procurement team by undertaking financial checks on all our contractor partners and ensuring that all suppliers agree to our standard Terms and Conditions. We have established robust and transparent development procurement processes in line with our Procurement Strategy and Financial Regulations and scheme of delegation, and to ensure regulatory compliance and demonstrate value for money.

We are a member of the Cutting-Edge Procurement Framework that was relaunched in 2021. The new framework is for 4 years and is fully compliant with UK public contract regulations. It includes a procurement route for Architects and Employers Agents (including Principal Designer) plus 1 large high value and 7 lower value regional lots for contractors.

The higher value contractor lot has a value band of £5m plus and the regional contractor band value is between £1m and £5.5m which includes SME contractors.

IVH also have access to other frameworks such as the Off-Site Homes Alliance (OSHA). IVH have made a commitment to the OSHA with 23 other partners to work collaboratively and develop a capable Modern Methods of Construction (MMC) supply chain. Phases 1 & 2 of the project have been completed which included agreeing the strategy, onboarding the supply chain partners and completing a design pattern book. Phases 3 & 4 are ongoing up to October 2022 and will develop the procurement route for the framework and complete onboarding of the final selection of partners. We will aim to develop at least 25% of our programme using MMC.

Research led development and growth decisions

We work closely with internal colleagues to inform how, what and where we grow. We will also use our internal resources to monitor impact including social value and sustainable return on investment and customer satisfaction.

We will endeavour to procure goods, services and works in a way that secures additional benefits from our supply chain to generate social value opportunities that directly impact IVH residents and the communities where we work. We will set expectations for the delivery of social value as part of the procurement process for new contracts, involving customers where appropriate. Contractors and suppliers will be requested to pledge what they will deliver, and these pledges will form part of their contractual obligations to deliver outcomes. We will track the delivery of social value as part of the performance management processes for the contract.

We will pilot new ways of developing and types of homes designed to respond to specific market needs, based on our stakeholder and customer needs. We will ensure any pilots, or indeed any developments, are stress tested to ensure any emerging risks are manageable, or a change in policy, market or funding conditions can be accommodated with alternative proposals. We will apply a continuous learning approach to all our developments, with an honest analysis of successes and failures, extracting and applying lessons learned.

We will review all completed schemes with customers to determine their satisfaction and feedback with the new homes delivered and report on an annual basis the key findings which will influence the new pipeline schemes.



Partnerships and joint ventures

Our initial strategy of focussing on key local authority areas and working with partners has worked well. We will build on this approach by developing larger and/or mixed schemes where a partnership approach supports and we will develop and enhance our relationships with trusted partners. Through continued collaboration we expect to be able to access larger sites by taking a more proactive approach to partnerships and joint ventures. We will target our resources at developing partnerships with developers, other housing associations and Local Authorities to access these new opportunities.

We have committed £3m investment in the Joint Venture for GM Growth, Hive Homes, which is a model that will see a collaborative venture (10 RP's and GMCA) creating homes for outright sale, with the intention of this returning a profit to the investors. Up to March 2022 no return of investment has been delivered due to the pandemic, but the first scheme is now on site in Rochdale and there are 11 schemes in the pipeline.

In 2022 IVH were confirmed as preferred Partner for the Denton area of Tameside, after a competitive process commissioned by Tameside Council. IVH will continue to work in partnership with the Greater Manchester local authorities to provide support and be identified as a partner of choice.

Regeneration and the Levelling Up

Over the last two years we have secured significant funding via the GMCA Brownfield Land Fund and more recently the DLUHC's Estate Regeneration Fund.

The recently published Levelling up White Paper aims to give everyone the opportunity to flourish. It aspires to people everywhere living longer and more fulfilling lives and benefitting from sustained rises in living standards and well-being. To do this it requires the end of the geographical inequality which is such a striking feature of the UK. It needs to begin by improving economic dynamism and innovation to drive growth across the whole country, unleashing the power of the private sector to unlock jobs and opportunity for all. For IVH, this presents potential further routes into funding for placemaking and regeneration to support our development and community plans.

Being 'bid ready' to secure the funds necessary to make regeneration projects viable will feature in our plans for development and regeneration in our core communities and ensuring the engagement and support of residents and the local authority, will be crucial. This approach has served us well in our developments on Sale West and Haughton Green, with successful funding bids to BLF and DLUHC Estates Regeneration Funding of £1.7m being secured over the last two years. We will continue this approach by keeping close alignment with emerging funding streams, both nationally and locally, to ensure we are able to maximise opportunities as they arise and where they clearly support mutual objectives.

Construction and technological innovation

We recognise that escalating material costs, and skills and labour shortages will be a barrier to building new homes. We will take a proactive approach to exploring how we can deliver new homes more efficiently through modern methods of construction such as pre-manufactured modular housing and panelised systems. We will work with other housing providers to connect to pre-manufactured / modular housing production lines as part of the OSHA which will provide a compliant procurement route for innovative ways of working.



The OSHA design pattern book includes a zero-carbon strategy to meet the Future Homes Standard as the baseline performance for the house types. The strategy is 100% electric, has mechanical extract ventilation and an enhanced thermal envelope. IVH will look to utilise this framework to development homes with modern methods of construction where the sites can achieve the requirements.

We will use Building Information Modelling (BIM) when appropriate to aid design, particularly any complex elements, and support certainty in the construction process.

We will also develop homes that are energy efficient and use renewable energy technology to support this. However, we will always make sure technology applied makes business sense and is intuitive and easy for customers to use.

We will apply design and specification methods that allow our homes to be flexible and adaptable for changing use in future.

Land Led Development

An ongoing supply of land is key to developing, and while IVH has some developable land in its ownership already, it must acquire new sites to meet the scale of ambitions outlined in the strategy.

We will aim to acquire sites which allow us to better control design and contractor procurement, rather than develop solely through package deals, where the contractor/developer has control of a site and has packaged the land and contract together via a development agreement.

While we won't dismiss package deal opportunities that meet our aspirations, acquiring sites will enable us to have greater control over the mix, design, density and number of homes delivered.

To acquire sites, we will work with our key partners collaboratively, we will also actively pursue the acquisition of private land and public sector land from the Homes England and local authorities.

To help access private land we will take a pro-active approach to finding developable land and working with land agents and others. We will look at distressed and stalled sites, including those that have been taken into the banks' possession.

In order to be able to act quickly in a competitive marketplace, we will hold a £1.5m land banking fund (as part of the overall development investment plan). The intention will be to use this to be agile and secure appropriate sites quickly.

Section 106

IVH will seek to procure Section 106 homes from house builders and developers through planning gain agreements, to help diversify its development delivery methods. This is a relatively straightforward way of acquiring new affordable homes at significantly less than market value, on sites where people want to live. It is recognised that Section 106 homes are defined by the house builder and as a development strategy alone, they would not in themselves achieve the overall impact IVH is seeking to achieve. We will only enter into section 106 agreements that enable us to provide affordable homes of the right quality and size in existing areas of operation or those areas that we are seeking to target.

Stock acquisitions and stock-swaps

While the development of new homes is key to IVH's growth strategy, we will continue to acquire existing properties when this supports our growth targets and corporate plan objectives. We will focus on areas where we already operate. We will engage with other housing associations looking to rationalise their stock in areas we operate to examine the potential of stock swaps or purchases.

We have retained headroom in the business plan for acquisitions from other housing associations. We will also explore off-the shelf opportunities of new homes, when this supports our development strategy.

We will work actively to acquire former Right to Buy homes on our existing estates or in areas where there is management and demand fit, and the acquisitions meet viability parameters.

Types and Tenures

IVH will continue to develop a range of homes and tenures appropriate to their location, determined by thoughtful research and making the most of sites already in our ownership in addition to new opportunities. Development team will work closely with colleagues to understand the Community Plans for each area to determine IVH priorities.

Our growth is currently aimed at Greater Manchester with a focus on growth around our existing housing stock, this approach will continue. The priority local authority areas that we have identified will remain as:

- Trafford
- Tameside
- Bolton
- Bury
- Manchester
- Salford



We will also consider opportunities throughout the rest of Greater Manchester if this meets strategic alignment e.g., where the scale and location could be supported by our management offer.

The types and tenure of the homes we develop will vary, and be informed by the local market dynamics, viability, and housing needs. 80% of IVH first lets are from the local authority choice base lettings systems (unless there is a separate agreement in place) so there will be a high reliance on the local authority partners to nominate customers in a timely manner. The remaining 20% are IVH internal transfers, concentrating on customers that are under & over occupying.

- Affordable Rent homes

We will develop Affordable Rent homes for families, single person households and couples who are unable to afford suitable accommodation in the private market. Affordable Rent enables the provider to charge up to 80% of market rent (inclusive of service charge). Our aim will be to ensure the rent is set at a level affordable to local people and we will aim to cap rents at Local Housing Allowance for general needs homes. We will also explore solutions for those under 35 who are vulnerable due to welfare reform.

- Social Rent homes

We will develop homes for social rent, where there are opportunities to do so, and where a scheme is economically viable at those rents. At present this is restricted to Trafford, Bury, Salford and Manchester, and only with local authority support and national Homes England approval.

The new AHP 2021-26 includes a condition that all social and affordable rented homes have the Right to Shared Ownership (RtSO) if they are grant funded, except where a specific exemption applies. This condition also applies to rented homes funded with recycled grant from a provider's RCGF but delivered outside the programme.

- Shared Ownership homes

Shared ownership allows a purchaser to buy an initial share between 10% and 75% of a home, paying a subsidised rent on the part they don't own. The new AHP 21-26 has introduced the option of staircasing in 1% increments for the first 15 years and larger shares can be purchased from 5%. Under the new model, there is also a 10-year period during which the costs of any maintenance or repairs will be met by IVHA rather than the shared owner.

Shared ownership is typically more affordable than renting privately and can sometimes be more affordable than Affordable Rent. It is a key part of government housing strategy and can contribute to supporting mixed-tenure/mixed income communities.

Mortgage lenders are currently supportive of shared ownership with over 18 lenders offering a range of deals, including some 95% loan to value rates, which can make shared ownership accessible to even those households with a small deposit.

In line with our development assumptions, IVH will assume an initial first tranche sale of 25% which will allow us to offer a portion of the new shared ownership properties at lower tranche shares, to ensure the new homes are affordable to all prospective buyers.

- Rent to Buy Homes

Rent to Buy allows an eligible working household to rent a new home at 80% of market rent, creating the chance to save for a deposit and purchase the property. After 5 years from completion, the property can be sold outright, with the tenant having first option to buy, or converted to market rent, intermediate rent or affordable rent.

To deliver a successful Rent to Buy programme, we will develop a robust policy framework that maximises the flexibility and attractiveness of this tenure for both the customer and IVH. We will not sell any Rent to Buy homes if the value falls below cost.



▣ Outright Sale Homes

Our main growth strategy is based on providing more affordable homes. However, we will consider developing and selling a small element of new homes for outright sale where this support a wider development and/or will help create surpluses to cross- subsidise providing more affordable homes.

▣ Market Rent

IVH will not actively seek to develop market rent homes, unless there is a strong scheme based on strategic case to do so.

▣ Older person housing

Providing new homes for older people is a key strand to our development and growth strategy. We recognise the varied housing needs of the older person market, which may include a range of options, from independent apartments and bungalows, Extra Care type schemes, options for active older people who are still working or recently retired, to specialist supported and dementia care accommodation.

We may also where appropriate and viable, offer Older Person Shared Ownership (OPSO) that allows eligible purchasers to buy up to 75%, with no rent payable on the remaining 25% share. OPSO and standard shared ownership can help reconcile the local re-sale values with the higher value of new retirement accommodation.

▣ Supported housing

We recognise that there is a lack of quality supported housing options for people with a variety of additional needs, whether this is related to physical and learning disabilities, mental health support, older-age and dementia or younger homeless people and those leaving care.

IVH has a strong track record of delivering supported housing projects, in conjunction with local authority commissioning priorities. Supported housing schemes are developed and then delivered by both IVH and our established partner agents.

As members of GMHP we influence strategies across housing, health and social care in Greater Manchester; this demonstrates the essential role good quality safe warm and affordable housing plays in people's health and wellbeing. This commitment is embodied in the tripartite agreement between GMHP, GMCA and the GM Health & Social Care Partnership. The development of new supported housing meets the strategic aims of the tripartite agreement.

Through our connections at a both a GM and local authority level, we will seek to work with trusted partners in integrated health and social care, to create appropriate housing solutions that will address these needs and demand, where there are sufficient certainties over sustainable revenue funding.



Financial Planning

IVH has the capacity to develop around 1,111 homes in the next 5 years and this will be funded by:

- Borrowing
- Homes England grant (assumed grant rates of £40,000 per unit)
- Sales receipts (assumed sale value average of £175,000 per unit)
- RCGF (Recycled Capital Grant Fund)

We will also utilise this capacity for stock acquisitions from other RPs, RTB buybacks, and other investment and land banking where opportunities arise.

In addition to schemes meeting individual viability and performance targets, the cumulative development programme will be managed so as to remain within these parameters:

- Borrowing capacity
- Interest rate cover
- Gearing
- Asset cover
- Liquidity levels
- Tolerable sales exposure
- Risk appetite

A summary of the 5-year financial commitment and forecast for years 6 to 10 is included in table 1 below:

Table one – Investment in completed new homes (excluding inflation)

£'000	Year 1-5	Year 6-10	Total
Committed schemes:			
Gross development costs	30,046	0	30,046
Less: Grant	-6,375	0	-6,375
Less: Proceeds from sales	-1,116	0	-1,116
Net costs	22,555	0	22,555
Number of new homes completed	288	0	288
Uncommitted schemes:			
Gross development costs	145,729	144,200	289,929
Less: Grant	-35,805	-33,920	-69,725
Less: Proceeds from sales	-8,366	-6,160	-14,526
Net development cost	101,558	104,120	205,678
Number of new homes completed	823	850	1,673
Total programme			
Gross development costs	175,775	144,200	319,975
Less: Grant	-42,180	-33,920	-76,100
Less: Proceeds from sales	-9,482	-6,160	-15,642
Net development cost	124,113	104,120	228,233
Number of new homes completed	1,111	850	1,961
Cost of managing programme	2,992	2,992	5,983



The development assumptions approved by Board on 31st January 2022 are consistent with the previous year. The assumptions were reviewed against other North West housing associations in 2021, taking into account the new 2021-26 AHP requirements.

The AHP 2021-26 includes the following key changes:

- Lower tranche sales on new shared ownership - the minimum share that can be purchased has reduced from 25% down to 10% and the ability to staircase up at 1% tranches with reduced fees for up to 15 years.
- the Right to Shared Ownership (RTSO) to be granted on all new rented tenancies granted under the new programme.
- 10 year repairing obligation on landlords for all new shared ownership properties developed under the programme, and those properties sold under RTSO.

When undertaking financial appraisals the first tranche sales percentage will be reviewed on a project-by-project basis taking into account the market factors, income and affordability assessments, and in line with an independent valuation report.

We will work with Homes England to agree the most suitable levels of shared ownership and Rent to Buy within schemes that can support it.

With regards to:

- Building cost inflation - we have significantly increased the build cost assumptions for future uncommitted pipeline schemes in the draft Financial Plan for 2022/23 by 18% and grant rates by 8% for affordable rent schemes. This is following a review of recently committed scheme costs and grants received through the 2021-26 AHP and the need for an increase to incorporate the Future Homes Standards.
- Regeneration schemes - based on the learning from Sale West, we propose that the NPV parameter used to appraise other schemes, is considered along with other non- financial metrics that take into consideration the wider benefits of the scheme. This will be considered on a scheme-by-scheme basis and approved by Board as well as Development Committee.
- Outright sale - all new developments which include this tenure will have bespoke indicators, risk plans and exit strategies to ensure that they can still be delivered if house prices fall in the future. The current Financial Plan only assumes one pipeline scheme of 10 homes, which would only be pursued if a suitable opportunity arose.
- Supported housing schemes - will be appraised on the standard assumptions as the default but also assessed on a project-by-project basis to determine if any additional charges are required for management or maintenance that cannot be covered by bespoke revenue and service charges.

When undertaking financial appraisals on regeneration, complex or supported housing opportunities, IVH will consider each scheme on a project-by-project basis. A key area of change will be the presentation of a 'Assets and Community Viability Report' as a supporting document to new development proposals presented to Board. Some baseline parameters that will be used on these opportunities include:



- Added value to IVH as an organisation and how it fits with our aims and objectives
- Strategic benefits that could be gained
- Impact on net assets spend, including net zero implications.
- Schemes must not have a negative impact on the overall NPV of live schemes reported in the Development Programme Monitoring Report
- Each scheme must be stress tested to ensure the Board and Development Committee are fully aware of any impact of risk factors
- Where proposals fall outside of the agreed financial parameters, an overall 'asset and community viability assessment' will be undertaken which will consider the investment value as an overall NPV within its wider neighbourhood.
- External funding will be sought to support extraordinary costs, in addition to AHP grant.

Governance

IVH's objective in relation to governance is to keep our structure simple and provide a clear line of sight from the Board to our active subsidiary and joint venture. Our subsidiary Board and committee members are drawn from the group Board. We believe this approach provides the best overview of risks and ensures that activities carried out by our subsidiary supports the corporate objectives. The IVH group consists of:

- Irwell Valley Housing Association Ltd. (IVHA) – The asset holding Housing Association is the group parent. It is a registered Co-operative and Community Benefit Society and a registered provider of social housing with the Regulator of Social Housing (RSH). The Association is an exempt charity.
- Irwell Valley Developments Ltd. (IVDL) – A wholly owned company limited by shares which is non-asset holding. The company became fully active in July 2019, providing development services and delivering development contracts to IVHA. This company also oversees the activities of our development Joint Venture, Hive Homes.

The IVDL Board is responsible for approving contracts and monitoring the overall delivery of the development programme, including key performance indicators, which are aligned to the Group's priorities. The Terms of Reference for the Board and committees are reviewed and updated annually and clearly outline the roles and responsibilities of each.

IVDL was set up as a commercial subsidiary to act as a DevCo on behalf of the parent to provide development services. We will use IVDL to deliver the new build developments and independent tax advice has been obtained to ensure developments are delivered through the optimum part of the IVDL at zero VAT and any profits reinvested in further growth and/or gift aided to IVH.

Future Homes Standard

The government has set out standards for all future new build homes that include prohibiting gas fired boilers on all new developments post 2025. This, along with other requirements for carbon reduction, will be considered in developing our revised performance specification.

The UK government has made a legally binding commitment to produce net zero carbon emissions by 2050 and Greater Manchester has set itself a more challenging target of 2038. The IVH Environmental Strategy 2020-2025 incorporates this aspiration to become a zero- carbon organisation by 2038, providing safe and secure attractive homes to live in that are affordable to heat.



With regards to decarbonisation for new homes, the IVH new build specification and draft Financial Plan incorporates the requirement to meet the Future Homes Standard by 2025 and the Greater Manchester vision to be carbon neutral by 2038. We are improving our building fabric by increasing insulation and making homes more airtight to reduce heat loss. To ensure that the homes can function with these fabric improvements we are introducing improved technologies including air source heating, photovoltaic panels, and mechanical ventilation. Several schemes that trial different technologies have already been delivered and we are monitoring the performance of these buildings to ensure they meet the customer's needs.

Our journey towards zero carbon new build has already started by adopting a fabric first approach to recent schemes. We also maximise the use of renewables and commit to move away from installing gas on new build schemes that start on site from 2022 onwards. Going forward, our approach will be 'fabric first'; optimising the thermal performance of components and materials in the building to minimise required energy input. We will assess viability for provision of renewable energy on all developments. The appropriate technologies will be determined by the requirements, limitations and opportunities of each site. Examples of technologies are solar PV, solar thermal, mechanical ventilation systems plus ground and air source heat pumps.

Design standards

All our new affordable homes will meet the National Design Guide 10 characteristics and the 12 principles of the Building for a Healthy Life.

The National Design Guide was published in October 2019 to address the question of how we recognise well-designed places, by outlining and illustrating the Government's priorities for well-designed places in the form of ten characteristics. These include:

1. Context – enhances the surroundings
2. Identity – attractive and distinctive
3. Built form – a coherent pattern of development
4. Movement – accessible and easy to move around
5. Nature – enhanced and optimised
6. Public spaces – safe, social and inclusive
7. Uses – mixed and integrated
8. Homes and buildings – functional, healthy and sustainable
9. Resources – efficient and resilient
10. Lifespan – made to last

A new design toolkit was commissioned by NHS England to replace the Building for Life 12 with a focus on healthier communities. The building for a healthy life assessment is an initiative by the housing industry to improve the design of new and growing neighbourhoods and is Homes England's key measure of design quality.

INTEGRATED NEIGHBOURHOODS	DISTINCTIVE PLACES	STREETS FOR ALL
Natural connections	Making the most of what's there	Healthy streets
Walking, cycling and public transport	A memorable character	Cycle and car parking
Facilities for everyone	Well defined street and spaces	Green and blue infrastructure
Homes for everyone	Easy to find your way around	Back of pavement, front of home



We will regularly review our Design and Performance specification to ensure we reflect our learning and technological and supply chain changes, and our own maintenance and management requirements. We will ensure that Asset, Neighbourhoods, Repairs and Compliance teams are closely involved in the specification of new build homes and in regular reviews. We will ensure that we work with the supply chain to provide regular training to colleagues on new products which will ensure the quality of post completion maintenance and repairs. This will include all products and components inside and outside the home.

Equality, diversity and inclusion

Equality, diversity and inclusion (EDI) is integral to our way of working with colleagues, customers and partners. IVH believe that everyone has the right to be treated equality, with dignity and respect and we will embed this through all our development activities by working with our consultants, contractors, and supply chain to ensure EDI is considered and reviewed at all stages.

We will ensure that our suppliers and contractors meet mandatory commitments and comply with their legal obligations through our procurement conditions and processes.

We recognise that everyone is different so we will provide new homes that are tailored around our customer's needs. We will ensure that our development programme includes for the provision of supported and specialist housing for people who need extra help to live independently. We will provide homes with specialist support for people living with dementia, mental health issues, learning and physical disabilities, and those who have been made homeless. We will also provide homes for older people to help them to feel safe and live well in their community.

When considering new developments, we will consider how they can impact on social, economic and environmental outcomes for local people, business and stakeholders through:

- Jobs and economic growth
- Health, wellbeing and the environment
- Strength of community

We will aim to do this by engaging our contractor partners and local stakeholders to identify social value outputs and through the design of the schemes being built.



How we will measure success

The headline growth criteria used to influence and consider opportunities will include:

- Irwell Valley's core values, culture and ethos should not be compromised, but it should be noted that these values include being pioneering, free-thinking and passionate
- Geographical alignment and suitability, impact on management costs and existing operational capacity
- Financial return to be sufficient financial return against risk
- The financial viability of Irwell Valley's Business Plan should be either sustained or strengthened by any growth proposals
- Use of IVDL as a development company to deliver new homes as tax efficiently as possible
- Any growth undertaken should protect and add value to Irwell Valley's core social landlord role and work in alignment with its Asset Management Strategy
- Growth will not threaten Irwell Valley's social housing stock or business viability, or the quality of service delivered to existing customers
- Customer satisfaction levels and feedback from recently completed schemes

Financial viability targets for new developments will be agreed with Board. These will include agreed parameters against, for example, Net Present Value, break-even year and loan repaid year.

In addition to individual project appraisals, overall growth success will be measured through a suite of indicators for example:

- Growth in numbers of units owned
- Increase in rental income per annum
- Increase in operating margin per annum
- Sales revenues and surpluses
- Staff cost/ratios to number of units and overheads costs
- Social and sustainable return on investment



How we will manage risk

After a period of relatively low growth, IVH now has a greater appetite for managed risk. Risk is inevitable in relation to developing new homes, but integral to the approach outlined throughout this strategy are key risk management principles.

The IVH risk appetite as part of the risk management framework is open which means we are willing to consider all options and choose the one that is more likely to result in successful delivery whilst providing an acceptable level of reward. The risk appetite open includes:

- IVH Homes works with a range of partners and stakeholders. We are actively pursuing a strategy to grow our business, including through development
- Activities and partnerships outside of our core revenue activities and our skill base must offer clear benefits to support our customers to maximise their income and achieve their potential
- When considering growth and diversification opportunities we will look to limit our % of Market Rent homes to no more than 2.5% of our total stock levels. All decisions will be made in line with our charitable investment policy and returns
- Growth plans should be in line with our Corporate Plan and our risk appetite and not put existing assets at risk
- Growth plans should be viewed in line with financial viability and charitable objectives
- Limiting our exposure to open market sales to 5% in our overall five-year development plan. This will be reviewed dependent on market conditions.
- New development schemes will meet the agreed development assumptions as approved by Board. Any schemes that are outside of the approved Development Strategy / budget will be scrutinised by the Board
- Taking responsibility for our environmental impact and considering it in everything we do
- Making a difference by reducing our carbon footprint and aim to be carbon neutral by 2038. Being open to piloting new green technologies

We will adopt an approach and culture of openly discussing risks relating to development, making it easy for risk to be identified, articulated clearly, understood at all relevant levels of the business and ultimately managed.

We will invest time and attention in identifying risks prior to contractual commitments, quantifying these against the risk management impact and likelihood matrix. These risks will be discussed and agreed with the Development Committee at the initial approval stage.

We will clearly demonstrate to stakeholders how we manage and communicate risk related to growth and how there is a clear line of sight in respect of risk throughout the business.

We will undertake stress testing and scenario planning in partnership with the Finance Team to ensure that risks are survivable and growth sustainable.



A suite of operational risks that require monitoring will be identified across the programme. Key/strategic risks will be reported regularly to Board and proactively monitored, not just at the inception of a project, but throughout its life, escalating important new risks and deescalating risks through the organisation accordingly. Each new development commitment will be reviewed in the context of accumulative impact against all these measures and the business plan.

We will manage the programme timing, be able to slow down, decrease or stop if sales revenues or grant required to support the future developments is not available. We will ensure that sales exposure is always survivable by monitoring the impact of converting all sale properties committed, to becoming Affordable Rent homes.

The proportion of contractual commitment for each scheme against the overall programme will be monitored by the Development Committee. A limit has not been set per contractor as the timing of schemes could mean that the proportion can change quite significantly depending on the stage of development, however we aim to achieve a balanced programme across the various contractors through continuous monitoring.

We will maintain a contract register that includes up to date relevant contractual documentation for each contract and a current assessment of financial standing of each suppliers. We will also monitor the contract costs to identify the percentage split between contractors, including the contract sum and spend to date.

Risk environment & considerations

In its Sector Risk Profile report for 2021, the RSH sets out a range of common themes and risks facing the social housing sector. The risks which have a potential financial impact, are noted below:

- New supply and the housing market (linked to risk 30 development/growth and risk 32 development for sale) – the new Plan includes 1,111 new homes started by March 2026, of which 15% is allocated to shared ownership and 1% to market for sale. The programme continues to be heavily weighted towards rented schemes, reducing exposure to sales risk. In addition, we have increased the average build costs for future schemes in the baseline model to account for new building standards and building cost inflation pressures.

We continue to model a lower percentage of first tranche sales in line with the AHP, which will reduce reliance on sales receipts. We closely monitor the risks associated with development and sales and as part of the stress testing on the Plan we will model the impact of further increased cost of development.

- Counterparty risk and construction process (linked to risk 3 suppliers and contractors, risk 30 development/growth and risk 31 asset management) – the development programme slowed during the pandemic. Brexit pressures around labour and materials supply have been exacerbated by worldwide supply issues, resulting in less competition and capacity in the market and cases of contractor failure. IVH was directly impacted by this in 2021 on two schemes. We monitor the market and individual contractor risk for our biggest contractors closely and have contingency plans in place as part of our Contract Management Policy.



- Value for Money (linked to risk 34 value for money) – delivering VfM in the context of rising inflation, cost pressures and rising expectations from numerous stakeholders will become more challenging. We face expectations to make our homes carbon zero, to improve building safety standards, to improve customer service and standards, to deliver new homes, to invest in new technology to improve digital access to services, all while demonstrating strong performance metrics for the Regulator and other stakeholders.

It is essential that Leadership Team and Board closely monitor and constructively challenge the organisation's performance, against the Financial Plan and operational performance targets, to make well informed decisions regarding the effective use of the assets and resources.