



Development Strategy

2021-2026

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1. EXECUTIVE SUMMARY

- Paradigm's 2021-26 Development Strategy sets out ambitious objectives associated with providing over 2,250 new homes for those that cannot afford to either rent or buy on the open market.
- We will proactively pursue a range of opportunities, continuing to concentrate our main activity within the counties of Buckinghamshire, Hertfordshire, Bedfordshire and eastern Oxfordshire.
- We will work with stakeholders and partners who recognise the importance of working for and with the residents and communities that call our houses their home. We will actively build relationships with those who share our vision for providing high-quality, environmentally-sound homes and places, that are cost effective to build and run.
- This Strategy accepts that there can be a tension in seeking high quality homes, moving towards the Government's target of zero-carbon, whilst competing for land and opportunities. This means that we need to be ever-more diligent and will work in closer collaboration with others, be that internal colleagues such as Asset Management, or with local authorities, developers and strategic land investors.
- This requires the Development team to embody a high standard of professional rigour and discipline, whilst recognising that we are working for a greater social purpose.
- By the end of this Development Strategy period, we will be proud to have provided as many high quality homes and places as possible, for a range of people who would not ordinarily be able to either rent or buy on the 'open market'.

2. INTRODUCTION

Paradigm is a Registered Provider of affordable housing for rent and shared ownership. We own or manage over 15,000 homes, mainly in the county areas of Buckinghamshire, Bedfordshire and Hertfordshire. As part of our Corporate Plan (2021-26), we commit to:

- Providing homes to people who need them and can't afford them in the open market – we will continue to build new affordable homes within the limits of our financial capacity, and consolidating our approach to be a large, developing provider with a local focus in our core operating area of Buckinghamshire, Bedfordshire and Hertfordshire;
- A zero-failure approach to health and safety – we will do our job as landlord to make sure our properties are safe and kept in good repair for our customers, and to make sure that our employees have a safe workplace;
- Continuing the journey to make Paradigm a net zero-carbon business by 2050, in the new homes that we build; the adaptations that we make to our existing homes; and the impacts of how we manage our business day to day;
- Engaging purposefully with our customers and listening and acting on their views to improve how we serve them. To this end, we are transforming the services that we provide to our customers, so that it is easier to contact us, more convenient for them, and delivered reliably and to a good standard; and
- Attracting, retaining and developing employees with the knowledge, skills, values and behaviours we need as a business to deliver the vision for Paradigm's future.

This Development Strategy is an outworking of these Corporate commitments. Our vision remains: **“To provide as many high quality homes and places as possible, in our target areas, for a range of people who would not ordinarily be able to either rent or buy on the open market”**. The need to do this remains ever-present given the changing and challenging economic, social and environmental pressures that will continue to be faced by the communities that we work within during the life of this Strategy.

3. CONTEXT

Operating Environment

- The impact of COVID has forced us to change the way we live and work and how customers are served – the effects of this will endure throughout the Strategy period, both for customers, wider society and Paradigm as we respond;
- The housing “crisis” is largely unabated and COVID is likely to have made it worse for those most in need of or living in affordable homes;
- Whilst the UK has now left Europe, the full impact of BREXIT is not known, and is likely to continue to create uncertainties for the economy and society;
- The policy framework for housing means that there is little new funding for affordable rented homes; the viability of shared ownership is reduced; and the number of new homes obtained through planning gain is also likely to reduce;
- A new regulatory framework is also being established for building safety; there is a renewed emphasis on sustainability and reducing (and ultimately eliminating) carbon emissions from residential homes; and consumer regulation is being significantly strengthened through reforms to the Social Housing Regulator’s objectives and powers;
- In our operating area:
 - Much falls within the wide commuting zone to the North and North West of London. The impacts of COVID will have significant effects on the economic, employment and travel patterns there, which are likely to include an increase in the extent of homeworking by commuters; an increased need for a supported affordable housing market (at least relative to national trends); and the potential for an increase in economic activity and consumer spend locally to people’s homes;
 - Whilst Government is seeking to overhaul key parts of the town planning system, our baseline assumption is that there will not be a wholesale expansion of land brought forward for residential development, and so the availability and value of development land will not significantly change;
 - Given these factors, our assumption is that the need for affordable housing will not reduce over the Strategy period – indeed, it is more likely to increase than to remain the same;
 - In relation to large scale infrastructure development, Government has re-committed to the development of HS2, but the position in relation to the Oxford-Cambridge corridor and to the third runway at Heathrow are less clear.

In addition to the above, there are specific influences impacting how we continue to develop new affordable homes. In summary:

- Financial
 - The financial market(s) – Paradigm has good cash reserves to fund development, but this needs to be managed carefully, especially with increasing need to invest in our existing homes to meet safety and environmental standards. Further, there remains uncertainty as to the home-owner lending market in terms of Covid-19 and factors such as potential short-term falls in the property market and changes to interest rates, all of which will impact Paradigm’s sales pipeline for the next 2-3 years;
 - Funders – Whilst there appears to be some stability regarding GLA funding for new development, as Paradigm is largely exiting London, this will have limited influence. Crucially, at the time of writing, there remains uncertainty around the Affordable Homes grant regime from Homes England. This means that land-led development is riskier for the business, as homes built via this route may not have certainty of

grant funding – and, due to changes to the shared ownership model lease, there may not be the same cross-subsidy model available to support affordable rental tenures. Whilst there are other grant sources available to Paradigm, we will need to establish and nurture relationships with these partners to access such funds.

- Town Planning – the Government’s White Paper in Summer 2020 set out ambitious proposals to reform the town planning system. There could be many implications for Paradigm’s Development Strategy, but the key ones are likely to be:
 - The introduction of “First Homes”, reducing the quantum of affordable rental and shared ownership stock coming via S106 planning agreements;
 - The proposal to raise the threshold as to when affordable housing has to be provided on new development sites (from 10 homes to 40-50 homes), which would reduce the number of homes offered via S106 planning agreements; and
 - The more radical elements of the White Paper associated with introducing a new Infrastructure Levy instead of S106 planning agreements. Whilst Government has said that there should be no impact on the number of new affordable homes provided, there is much uncertainty about how this commitment will be achieved.

The above factors mean that Paradigm needs to manage risk in a much more active manner than has previously been required. It also means that we need to carefully navigate competing demands associated with financial prudence, increasing expectations of quality and environmental performance (which increase capital costs), whilst maintaining our competitiveness in winning new business and selling a proportion of our newly built homes. Paradigm will therefore need to enhance its approach to working in partnership with others, to:

- Explore new opportunities to build more homes;
- Potentially share risk (e.g. if we need to increasingly introduce other ‘private’ tenures to cross-subsidise affordable provision);
- Increase access to grant funding; but also
- Recognising that, whilst we have strengths in many areas, other parties may well bring added value as we seek to build more good quality, affordable homes and communities.

Current Position

Key Performance Indicators:

	19/20 Actual	20/21 Actual	21/22 Target
Homes handed over	399	289	328
Homes in pipeline	1,308	1,398	1,450
Sales margin (net)	21.9%	24.9%	20.7%
Sales Income (£)	£25.4m	£16.4m	£22.35m
Sales (homes)	189	146	136
Owner satisfaction	88.3%	85.7%	85%
Defects	1.73 / unit	2.1 / unit	<2.1 / unit

At the end of 2020, our current development pipeline can be summarised as:

	Homes	%	Cost £’m
Social/ Market Rent	76	5.4%	
Affordable rent	723	51.7%	
Total Rent	799	57.1%	£121.5
Shared ownership	599	42.9%	£80.3
Market sale	0	0%	£0
Total approved	1,398	100%	£201.8

4. MAIN OBJECTIVES

The key objectives for the Development Strategy are set out here, and then expanded in the following four sections:

- a) We will continue being a “developing provider”, with a main focus around our core operating areas of Buckinghamshire, Bedfordshire and Hertfordshire, along with eastern Oxfordshire;
- b) We will proactively pursue a range of opportunities, and are committed to building at least 2,250 new homes over the Strategy period. However, subject to the availability of funding and opportunities, our aspiration is that we will work to being able to develop more than this;
- c) We will work with stakeholders and partners who recognise the importance of working for and with the residents and communities, seeking feedback from customers on their experience of their new home;
- d) Our preferred tenure mix is for 50/50 affordable rent and shared ownership – but we recognise that, at least in the short term, we need to manage our exposure to property market sales risk, and so we may provide more affordable rental homes, and we may have to diversify our tenure mix;
- e) We plan to continue the transition to reduce the proportion of new homes we procure through section 106 agreements or other forms of planning gain, and to undertake more land-led development. This includes reviewing opportunities for redevelopment within our existing asset portfolio, especially linked to the Asset Management Strategy;
- f) We will work with residents, communities and partners to create places where people are proud to live and that demonstrate high quality affordable housing development – and that we are proud to have built in the longer term;
- g) We are committed to ensuring a high quality of customer care for all our residents, including when we are selling homes;
- h) We will seek to build homes that meet our stringent design vision and quality requirements, and we have a presumption against high-rise buildings (i.e. no more than 5 storeys);
- i) During the Strategy period, we will ensure our design standards at least meet the Future Home Standard, and we will investigate the use of Modern Methods of Construction (MMC) where it increases long term quality; enhances safety and environmental performance; and maximises the delivery of new affordable homes;
- j) We will review and enhance our design standards to deliver lower carbon, lower energy homes that minimise their impact on the environment and are resilient to an ever-changing climate, particularly where we are the developer. As part of our Environment Strategy, we will review whether we can commit to this ahead of it being a mandatory requirement; and
- k) We will ensure that our people, processes and procedures operate with sound commercial disciplines and good professional practices, such that we can enhance our ability to work with others in pursuing the objectives set out here.

5. LOCATION

- Our primary geographic focus will remain in Buckinghamshire, Bedfordshire and Hertfordshire, with a key footprint in eastern Oxfordshire and, to a lesser extent, southwestern Cambridgeshire;
- Our Strategy remains to not pursue new development schemes in London boroughs;

- We will proactively pursue a range of opportunities, from greenfield to brownfield sites; from stand-alone schemes to joint ventures where there is an alignment of purpose; and where there is need to assemble and promote land opportunities;
- We also recognise that, where there are larger opportunities on the boundary of our core operating area, which may provide a good critical mass of new homes and will not compromise our operational support for our homes and residents in the longer term, these will be considered.

6. QUANTITY

Scale

- We are committed to building at least 2,250 new homes a year over the Strategy period, and our aspiration is that we will work to being able to develop more than this at the latter part of the Strategy period;
- We will aim to usually develop schemes of between 35 and 150 homes if developing by ourselves, but this may vary depending on the market, local circumstances and / or funding. We will also actively pursue partnerships that may deliver more homes across a wider site, for example, where a large scheme is available that could form the backbone of our pipeline for many years to come;
- Nevertheless, given the heightened level of uncertainty at the start of this Strategy period (associated with the property market, economy and wider societal and regulatory changes), the overall scale of our delivery pipeline will initially be less than 500 homes per annum. This is the result of a conscious decision, as we have sought to appropriately manage risks over the last 12-18 months;
- Our focus will remain on general needs homes, albeit homes for the elderly and/or special needs may be incorporated where partnerships with specialist providers can be secured;
- We will respond to local circumstances, but we will focus on 2 and 3-bed homes, preferably houses, that have a good provision of car parking.

Tenure Mix

- Our preferred tenure mix over the life of the Strategy is for 50/50 affordable rent (including social rent where viable) and sales, with the majority of the sales element likely to be via shared ownership tenure;
- However, we recognise that, in the short term (due to grant and wider uncertainty in the property market), we need to manage our exposure to property market sales risk. Therefore, viability permitting, we are likely to provide more affordable / social rental homes. We also recognise that we may need to be flexible in providing other tenure routes within schemes e.g. short term private market rental. This needs to be considered on a case by case basis, balancing the need for financial prudence whilst managing the potential impact on local communities;
- The changes being introduced by Government to the shared ownership model lease, along with the potential changes to the town planning regime, may also mean that, over the Strategy period, we need to increasingly look at private sale options. This may be to offer an alternative cross-subsidy to that historically provided by shared ownership tenures, and / or to enable us to viably secure new opportunities. In doing this, we will need to manage our risk exposure, and it is expected that we will proactively work with other stakeholders / partners to do this.

Routes to Market

- We will continue the transition to reduce the proportion of new homes we procure through S106 planning agreements or other forms of planning gain, and to undertake more land-led development;
- This should enable us to better manage the quality of homes we build for our customers; the service we offer them in the longer term; as well as the visibility we have associated with the timing of their completion;
- It is recognised that it takes time to build up a pipeline of land-led schemes, and there are also more risks that need to be managed directly by Paradigm – for example: in promoting schemes through the town planning system; during the build; on overall viability; and given the likely increased number of homes for sale compared to that traditionally offered by planning agreements;
- Paradigm is also not a commercial land promoter, and our motivation is not directly monetary ‘profit’. This means that we may not necessarily be as competitive when bidding for traditional land opportunities, but will more likely be successful in pursuing exception sites, where we can work with existing communities and stakeholders;
- We recognise that, linked to the Asset Management Strategy, opportunities already exist for regeneration and redevelopment within our current asset portfolio. These need to be explored, especially as such investment could mitigate other risks and provide opportunities to enhance existing communities in a cost effective manner compared to buying new land;
- Equally, opportunities to partner with other organisations must be explored, including via formal joint ventures and strategic land investments, where our interests are aligned;
- To do this, the Development team needs to continue its own transition to increase its capability at working in more complex commercial arrangements.

7. QUALITY

Quality Vision

In 2019, the Development team adopted the following vision as part of a Development Quality Strategy:

“Putting quality at the heart of Paradigm’s development programme, meeting the reasonable expectations of both internal and external customers and stakeholders, by making measurable improvements in the quality of our homes and communities.”

Within this, the Quality Strategy focuses on three main areas that underpin the Development Strategy:

- a) People – Culturally, putting customers at the heart of what we do by developing good quality homes and places, and providing a consistent and robust sales and aftercare service, particularly in areas that our rented and homeowner customers see as important;
- b) Processes – Making measurable improvements in how we bring forward schemes, recognising the risks and opportunities that each scheme will have compared to the quality standards that Paradigm sets; and
- c) Product – Delivering homes that represent good value for money in terms of their initial capital cost, as well as their life-cycle costs (running and refurbishment). This should be undertaken collaboratively with a range of internal stakeholders such as Asset

Management, Property Services and Housing, as well as working with our external consultants and contractors – it should also involve some engagement with existing and potential customers.

Quality of Design and Place

- We want to create places and establish and enhance communities where people are proud to live – and that we are proud to have built in the longer term;
- We recognise that the initial design of homes and places is just as important as the quality of the built product, greatly influencing the quality of life – and satisfaction – for existing and new residents. As such, we will continue to monitor and commission designs and schemes that seek to enhance their local setting;
- Where we have control over design from the earliest stages, we will incorporate features to allow more sustainable and environmentally-friendly living and potentially lower ongoing costs to both the future resident and Paradigm;
- We recognise that there has been a seismic shift in living and working patterns due to the COVID pandemic, some of which are likely to continue into future years, if not in perpetuity. These changes may have disproportionately affected those living in, or waiting to be offered, affordable housing. We will therefore consider modern lifestyles when designing new homes and neighbourhoods;
- Where possible, we will appropriately distribute different tenures throughout a scheme, minimising potential conflicts between customer groups, whilst seeking to build a cohesive community;
- We will continue to work with our Asset Management colleagues to explore latent opportunities within our existing portfolio of homes and land, as well as assisting colleagues to consider when it may be right to remodel or redevelopment existing homes and estates;
- In that context, we recognise that development can be contentious for existing communities where new homes are being built – both in terms of the short-term impact of construction, as well as changing the context for existing homes. This needs to be recognised and managed sympathetically.

Quality of Build

- We have a comprehensive set of Employer's Requirements and Design Standards, which have been produced in close collaboration with colleagues in Asset Management, Housing Operations, and Property Services. These are reviewed bi-annually, with the latest review having taken place at the end of 2020;
- We will seek to build homes which meet our stringent design quality requirements, accepting that particularly for homes secured via planning agreements, we are not always able to meet all our standards;
- We continue to have a presumption against high-rise buildings (i.e. no more than 5 storeys);
- Working closely with colleagues in Asset Management, Health & Safety and Property, we will continue to ensure that all our construction sites and new build homes are safe and compliant, especially regarding matters such as fire strategies. We will increasingly work towards being "BIM-ready" in terms of the information obtained about our new homes, to assist longer-term asset management;
- During the Strategy period, we will ensure our design standards at least meet the anticipated "Future Home Standard";
- We will review and seek to enhance our design standards as an element of our wider Environment Strategy, seeking to deliver lower carbon, lower energy homes that

minimise their impact on the environment and are resilient to an ever-changing climate, particularly where we are the developer. For example, we will seek to adopt the principles of “fabric first” insulation standards to minimise the need for expensive initial and retrospective investment, as well as using proven environmental technologies;

- Our Environment Strategy will determine whether we commit to enhancing the environmental performance of our homes ahead of mandatory requirements, and to assist this, we will investigate funding opportunities to promote renewable technologies;
- In line with Government announcements, by 2025, we expect that we will be building new homes that use non-carbon energy sources for heating and hot water and which are designed so as to be capable of reaching zero carbon impact at an economic cost;
- We will continue to investigate the use of Modern Methods of Construction (MMC) where it increases long term quality and maximises the delivery of new affordable homes;
- We will contract with partners and suppliers who we trust to deliver high quality homes and with whom we can establish and maintain positive working relationships with. This means that we may consolidate the number of suppliers we work with, to focus on quality relationships;
- We will also work with our supply chain and development contractors to seek to use appropriate construction materials, goods and services that are sustainable, ethical and (where possible and appropriate) local.

Quality of Care

- As a Development team, we are committed to ensuring a high quality of customer care when we are selling homes and during the initial period after new homes are completed and occupied;
- We will develop and implement a new Customer Satisfaction Survey to capture how well we are performing, both shortly after residents move into their new home, and at the end of the defect period. We will use the lessons learnt to constantly seek to improve our service and the homes we provide;
- For those homes that are sold, we will review how we engage with customers to ensure that the information and service provided is of a high quality and easy to engage with;
- We will minimise the number of snagging items to be completed at the beginning of a new home’s occupancy;
- We will continue to seek to drive down the number of defects and the length of time and effort it takes to remedy any defects;
- Where a customer is dissatisfied with their new home or our service, we will resolve their complaint appropriately and swiftly without unnecessary delay;
- We will continue to work closely with Asset Management colleagues when dealing with identified latent defects.

Quality of People & Processes

- We will continue to review and ensure our Development team has the requisite skills and experience to deliver this Strategy;
- The team will have a professional rigour in terms of understanding commercial, legal and financial risks, balanced with an appreciation of our social purpose for providing quality, affordable homes for people that could not afford them on the open market;
- We will continue to invest in the necessary tools and resources to implement the Strategy (including financial appraisal, project management tools and protocols and information systems);

- The team will increasingly work collaboratively and in partnership with both internal and external stakeholders;
- We will ensure that projects are delivered in accordance with a consistent set of Governance gateways, processes and procedures, learning from post-project reviews;
- We will work with our Finance team to ensure that new opportunities are risk assessed and reviewed regularly and that our suppliers are paid promptly;
- We will set appropriate parameters for risk, investment and viability to implement the Strategy; and
- We will embed the new professional consultancy frameworks we have established for Employer's Agents; Clerk of Works; Principal Designers and Valuers and Estate Agents.

8. COST EFFECTIVENESS

- We will seek to ensure we build homes that provide value for money for our customers in terms of affordability of rent and service charge levels, as well as providing energy efficient properties;
- However, the location that we operate within; the quality standards that as a regulated provider we have to comply with; our aspiration for enhancing quality and environmental standards wherever possible; and our stringent contractual terms – means that we are continually under pressure to maintain viability and competitiveness;
- This applies to both S106 planning agreement opportunities as well as land-led / package schemes, but for differing reasons:
 - For S106 agreements, there remain a number of providers who are aggressively seeking to build their portfolios, and who may not make the same decisions as Paradigm about matters of longer term quality and viability;
 - For land-led / package schemes, the pressure is even more acute, as we are often competing with private developers for land, for whom the procurement costs and routes may be more competitive, and where in some instances, the need to abide by certain standards is not as rigorous. Grant is often required to support competitive bids in these instances, but the grant regime remains uncertain at the start of this Strategy period.
- The wider uncertain operating environment adds further pressure that needs to be managed, meaning that we must maintain a constant vigilance on our appraisal assumptions and risk appetite and management;
- We will continue to utilise a range of funding sources. For example, seeking to maximise our engagement with and use of grant from the likes of Homes England, regional development funds and local authorities. Wherever possible, we will ensure that our new homes can quickly be used as security to leverage more funding to build even more homes;
- Over the life of the Strategy, we anticipate that we will work with an increasingly wide range of agencies, stakeholders and partners, often in ways that have not been employed at Paradigm. We recognise that our financial strength and stability may provide opportunities for such joint-working, and we will pragmatically consider how best to employ our resources where it opens opportunities to maximise the provision of quality, affordable homes;
- We will also continually monitor and respond where necessary to changes in our operating environment, such as the Government's new shared ownership model lease and "right to shared ownership", being introduced from 1 April 2021 (which will change some of the expectations, liabilities and operating dynamics for both Paradigm and our customers).

9. MEASURES & OUTPUTS

We will continue to measure our performance against the following Key Indicators:

	Year 1 Target (2021/22)	5 Year Strategy Target
Homes handed over	328	2,250 (5 yr total)
Homes in pipeline	1,450	1,600 contracted pa
Sales margin (net)	20.7%	>20% (average)
Defects	<2.1 / unit	<2.0 / unit (average)

- We will implement a strategy for the regeneration of our existing assets By mid-2021 / 22
- We will review the capability, capacity and culture of the Development team to ensure that it is best placed to deliver this Strategy. We will then review it regularly By mid-2021 / 22
- We will review our Sales Strategy to ensure that we continue to provide a high-quality service to home buyers By mid-2021 / 22
- We will review the Government's new shared ownership lease and its proposed Right to Shared Ownership, to understand how our service needs to change for customers, and what the implications are for Paradigm. We will then review the outworking of the new arrangements on an on-going basis By mid-2021 / 22
- We will review of our defects handling procedure, to ensure timely and accurate management of defects and engagement with customers and contractors By mid- 2021 / 22
- We will implement a new Customer Satisfaction Survey providing much more granular and accurate information as to how satisfied our customers are with their new home. By the end of 2021/22, we will have developed a new baseline measure for New Home Satisfaction, which will be improved upon in subsequent years By end 2021 / 22
- Alongside colleagues in Asset Management, we will develop an Environmental Strategy, that will seek to set out our approach to matters such as low carbon / sustainability measures to be incorporated in our new homes By end 2021 / 22
- We will monitor the performance of all of our suppliers across the programme and will seek to secure 'repeat business' with those working to our high standards Quarterly
- We will regularly review compliance with our gateways, processes and procedures to ensure we are consistent in our approach and we are working within approved parameters Annually
- We will review our financial appraisal model to ensure it enables us to maintain and increase our pipeline while accounting for risks appropriately Annually

- We will regularly review our Design Standard, Employer's Requirements and Technical Specification Bi-annually
- When within our control, we will deliver our projects "on time and on budget", utilising technology to manage and monitor on a monthly basis On-going
- We will establish and maintain relationships with all of our potential funding partners, to maximise the grant received for each project and ensure we have comprehensive data packs for on-going security purposes On-going
- We will maintain, or enhance where appropriate, resources within and available to the department (including recruitment and training) to ensure colleagues are equipped to carry out their roles to the highest possible standard On-going