

**Network
Homes**

5 YEAR STRATEGY 2018-2023

Updated May 2021

Contents

- 1 Introduction
- 2 Our purpose
- 3 Key challenges
- 6 Our strategic objectives
- 8 Achieving our objectives
- 16 Monitoring and evaluation
- Appendices:
- 17 PESTLE analysis
- 28 Where we work

Introduction

This new revision of our Five Year Strategy takes into account the dramatic changes in the operating environment for housing associations since Network Homes was formed as a single amalgamated organisation in 2016.

The legacies of Brexit and the Covid-19 Pandemic, yet to be fully realised, are likely to mean the country will be living with political and economic uncertainty for some time to come.

These situations serve to amplify the sense of upheaval that has followed the 2017 Grenfell Tower tragedy, and the implications of this seminal event continue to reverberate through the regulatory and political changes that the sector is now experiencing.

The publication of the Social Housing White Paper will be significant force in shaping the way housing associations operate moving forward, and Network Homes is no exception. In setting out what exactly a resident can expect of their housing association, this legislation is now a major driver of change in the evolution of the relationships that exist between tenants and their social landlords. Further to this, the Planning for the Future White Paper will bring significant changes to the way in which we meet housing demand for the future, designating areas of land for growth, renewal or protection, and changing the system under which developers make contributions to affordable housebuilding. This adds further to the uncertainty currently being experienced by the sector, but with this may also present new opportunities.

Generally, housing associations are benefiting from a better and more collaborative relationship with the Government including positive changes in policy. Yet, overall, the operating environment feels more complex.

In this context, dynamic and flexible strategic thinking is required more than ever. Underpinning this must be a Network Homes ethos, principles and values which ensure our direction of travel is clear to our employees, customers and business partners, despite the range of challenges to be faced.

First and foremost, Network Homes is a housing

association. We will always be a housing association and we will always have social purpose at the heart of our business. We are absolutely clear that any profits we make are for reinvestment in the homes we build and services we manage, and that our priority is developing and managing homes for people who cannot afford open market prices and rents.

While the broad sentiment behind our strategic objectives remains unchanged, there are some small, but important, changes that have been agreed by the Board. They reflect both the changing context in which Network is operating, and some renewed priorities for the organisation. The newly-worded objectives are as follows:

- > Increasing the number of homes for people in housing need
- > Delivering reliable resident services
- > Increasing our financial resilience
- > Building a great organisation
- > Strengthening residents' trust in us

The small differences between these objectives and our previous set of objectives is explained in more detail in the 'Our Strategic Objectives' section of this strategy.

This latest iteration of our Five Year Strategy aims to build on the positive changes we have made in recent years and ensure that, in an uncertain world, our customers and partners feel Network Homes delivers an effective mix of stability, expertise and flexibility through our homes and services to help us all achieve our goals.



Helen Evans
Chief Executive



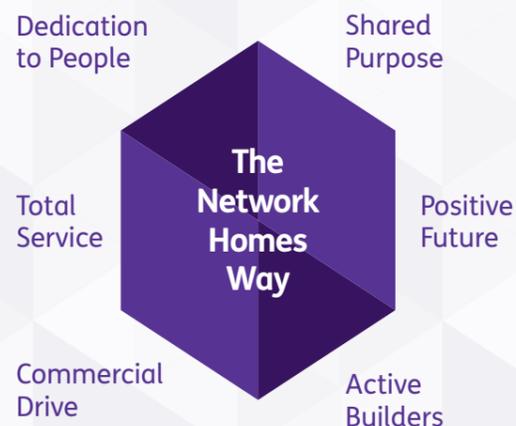
Our purpose

Our mission is to provide safe, secure and affordable homes for as many people as possible.

Why we do it



How we do it



What we do



Our five strategic objectives

- > Increasing the number of homes for people in housing need
- > Delivering reliable resident services
- > Increasing our financial resilience
- > Building a great organisation
- > Strengthening residents' trust in us

Key challenges

The main external and internal issues liable to affect Network Homes' business over the next five years are noted within later sections on each of our four strategic objectives and in a PESTLE analysis at the end of this document. There are a number of over-riding challenges for our business which flow from this.

Covid-19 pandemic

The Covid-19 Pandemic has led the organisation to re-assess its goals moving forward. Financially, the pandemic has forced a more conservative approach than would have otherwise been adopted in this period, and efforts to this effect have included a voluntary redundancy programme for staff and reductions in several budgets for the coming financial year.

Extra efforts have also been made to protect, as far as possible, our more vulnerable residents from the negative impacts of the pandemic. Such efforts have included the Big Winter Check-In, which involved reaching out to residents and inviting them to tell us about concerns or problems they were facing as a result of the pandemic, and carrying out shopping trips for residents who have had to shield throughout the pandemic. Moving forward, we may experience an increase in residents struggling with their income as a result of the economic toil of the pandemic, and our welfare advice team is in place to help residents experiencing such difficulties.

Broad-based Brexit impacts

The UK has now left the EU, and the trade deals that will replace our previous ones held through the EU are largely still to be determined. Trade deals with the EU and non-EU countries will continue to be negotiated well beyond this timeframe. Economic uncertainty will therefore probably continue throughout the five years of

this strategy and beyond. There are multiple potential consequences of this for housing associations including around construction labour and materials costs; for the housing market; customers' living standards; distraction for the Government from other key areas of policy including housing; and economic growth.

The impacts of welfare policy

The Government is continuing to implement welfare reform measures well into the 2020s. Universal Credit has now been rolled out in many of Network's main areas. While the Government has made some modifications to the scheme, all of the evidence so far indicates that residents find it difficult to manage the move onto UC and rents arrears will go up, even if we manage the process well. Recent increases in UC payments, forced by the pandemic, have proved helpful, but how much longer they will remain for is currently uncertain.

Respected economic commentators, such as the Institute for Fiscal Studies, estimate that living standards in 2025 will on average still be below those of 2008 in real terms.

Key implications: financial resilience, risk management, development appraisal, targeted customer support.

Key challenges

Poor housing affordability

While house prices and rents are not expected to continue rising at the same pace as in recent years, especially in London, housing cost inflation is still expected to outpace income growth over the next five years. Affordability will continue to worsen, despite an expected increase in new homes output to around 250,000 homes a year (Source: Office of Budget Responsibility). The onus on housing associations to deliver more, in spite of likely increased construction cost pressures and a less solid sales market, is strong. The Government's reversion to a rent regime of CPI + 1% from 2020, together with additional funding for new social housing, increases this pressure. We owe it to those locked out of the housing market and to our Government and local authority stakeholders to seek to maximise our contribution to meeting housing needs. This will include exploring innovative ways to build our financial capacity to enable higher levels of development. At the same time, we will need to ensure our rents remain affordable, as far as possible, to people on lower incomes.

Key implications: financial capacity and resilience, risk management, development appraisal, product development, reputation management.

Regulatory and policy change linked to Grenfell Tower tragedy

The Grenfell Tower tragedy has had a profound impact on social housing and its consequences will be far-reaching and long lasting. A light has been shone on complex and sometimes contradictory regulations and guidance which will soon be amended; it has highlighted the potential dangers of over-zealous cost reduction in refurbishment and new build projects; it has encouraged residents to assert their rights and voice their opinions more forcefully; and it has focused attention on the need for more high quality social housing for people on low incomes. The Government has published a Social Housing White Paper with a view to change within the sector, particularly regarding what residents can expect from their social landlords. There will also be considerable increased costs for housing associations in ensuring all existing homes and new homes are compliant with revised standards expected.

Key implications: financial capacity and resilience, governance and compliance, risk management, resident voice and influence, technical skills and expertise, reputation management.

Key challenges

Technological change and data management

The pace of technological change continues unabated and it has become obvious both that housing associations have fallen behind many others parts of the economy in harnessing it and that excellent customer service and satisfaction will not be possible soon without a high quality digital service offer. Social media has also started to change the way some customers wish to engage with us. While Network Homes has started down the road of digital transformation, significant change is critical over the next five years to ensure we have an effective digital customer service platform, an integrated mobile working solution, a fully modernised customer service centre, strong data quality to enable effective service development and performance monitoring, and properly trained staff. This is an expensive but vital investment in the future of our business.

Key implications: financial capacity and resilience, technical skills and expertise, risk management, compliance (data protection), reputation management.

Simplification and performance management

One of the most effective buffers in a complicated and rapidly changing world is a business which is structurally and procedurally simple. This provides the agility, flexibility, transparency and accountability to meet organisational objectives even as the operating environment evolves. Over this strategy period we will complete the transformation of Network's business, tackling the remaining legacy issues from our previous federated structure to ensure we can deliver our service to customers and partners to best effect yet with excellent value for money. This will include implementation of a simplified and modernised service offer, suited to an increasingly diverse customer base and customers and partners whose expectations of us are constantly rising. In turn, this will support improved transparency and simplify the executive's and Board's ability to monitor and manage performance in attaining our goals.

Key implications: organisational structure, governance and compliance, risk management, reputation management, value for money.

Taken together, these challenges highlight certain business critical functions to our success over the next five years. These include financial capacity and resilience, risk management (including compliance and performance), the centrality of the customer and service to how we organise our business; and improvements in technical skills, expertise and systems.

During this strategy period, we expect other wider trends already in evidence to grow in importance and loom larger for our business as we move through the 2020s. These include the risks of volatile public opinion, labour shortages for both unskilled and some skilled jobs, and a gathering crisis in older people's social care and housing.

Our strategic objectives

Network Homes has five key strategic objectives:

1

INCREASING THE NUMBER OF HOMES FOR PEOPLE IN HOUSING NEED

2

DELIVERING RELIABLE RESIDENT SERVICES

3

INCREASING OUR FINANCIAL RESILIENCE

4

BUILDING A GREAT ORGANISATION

5

STRENGTHENING RESIDENTS' TRUST IN US



Achieving our objectives

1 Increasing the number of homes for people in housing need

Ambition



1,000

A minimum of 1,000 affordable homes started by March 2023 with an ambition to do more if market conditions and grant funding allow

This change from 'maximising growth within our resources' more accurately reflects the focus of our efforts on building affordable housing for people who need it, as opposed to building the maximum possible amount of housing of any kind.

We will achieve this by:

- > Meeting our 1,752 new homes target as a Greater London Authority (GLA) Strategic Partner
- > Ensuring at least 60% of all new homes are for social and affordable tenures
- > Identifying and entering into more joint venture and strategic development partnerships
- > Identifying and being open to new delivery models and market innovation, including leveraging institutional investment
- > Supporting other housing associations to use their capacity and develop more homes
- > Considering merger & acquisition opportunities which represent a good strategic fit and will benefit customers
- > Understanding our markets better and promoting our offer more effectively through our recognised brand

Our ambition is challenging. But the overall market context means we must do everything we can to maximise our contribution to dealing with the housing crisis and providing homes for the very many people unable to meet their needs through the expensive open markets. This includes being less prescriptive about ultimate ownership of homes and being more open to increasing development volumes by supporting other partners to use their capacity.

As a housing association, our priority remains provision of homes at below market levels. At least 60% of the homes we develop through our Strategic Partnership with the GLA will be for sub-market rent or sale, and across our pipeline we will maintain a minimum of 25% of all new homes for 'genuinely affordable' rent, based on the GLA's terminology. However, in the existing funding context we will also need to build more open market homes for rent and sale to deliver the profits that will continue to cross-subsidise affordable development.

Financially, starting 1,000 affordable homes by March 2023 means we will need to be innovative in our arrangements. We will explore different methods to create the capacity and manage the risks that achieving our ambition entails, including strategic deals and joint ventures with investors, private developers, local authorities and other housing associations. This may include mergers and/or acquisitions and off-balance sheet vehicles if we believe the conditions are right.

With development costs likely to rise in coming years as a result of Brexit and Grenfell Tower impacts, we will look to be innovative in containing our costs, while continuing to build to high quality designs and specifications. We are learning the positive lessons from our first developments using Modern Methods of Construction, Construction Management, and Building Information Management, and will apply these in new projects. In the light of Grenfell and other concerns about new build quality, we will ensure we have appropriate technical expertise in-house to manage our projects and to maintain our reputation for building well-designed, award-winning, modern developments.

We believe our strongest prospects for success will come by focusing on markets we know. Our existing operating areas contain some key areas of growth and opportunity, including a number of the new Housing Zones and Crossrail regeneration areas. We are not intending to expand our geography significantly, but in a context where more people working in London are being forced out of the capital by housing costs, we will target any expansion into key commuter belt areas close to our existing operations. Maintaining a relatively concentrated geography also helps ensure we can run our management services effectively and efficiently.

In all of this we recognise that meeting our objective involves accepting greater financial risk. However, we will only take on risks which we are clear we can manage. The regulator has acknowledged both our development ambition and our effective governance of the risks this involves. The Board has re-assessed its overall risk appetite, we have stress-tested our plans and all proposed developments are carefully assessed for risk.

Achieving our objectives

2 Delivering reliable resident services

Ambition



90%

Resident satisfaction of at least 90%

This change from 'delivering first-class customer service' reflects the need to set realistic expectations with our residents along with the desire for reliability that has been consistently expressed by them. It's also a move away from the term 'customer' which does not reflect the legal position with most residents, and which is a term we know many of our residents don't identify with.

We will achieve this by:

- > Redefining our offer to ensure we provide an effective, high quality service
- > Transforming our digital service offer and the quality and integration of our business systems
- > Completing the transformation of our repairs and maintenance service
- > Ensuring compliance with all health and safety requirements and other housing consumer standards
- > Communicating better and more consistently with our customers
- > Experimenting with new ways of working and improved targeting of services
- > Ensuring the resident voice is influential in the future development of our business
- > Recruiting and retaining high calibre people, working within an enabling, performance-oriented culture
- > Improving performance and cost management, including effective benchmarking and learning from industry best practice

Our Customer Services Strategy, agreed in 2020, sets out the five guiding principles for our service – the right culture; an accessible service; a more personalised service; a high quality service; and an added value service. In 2019/20 we achieved overall customer satisfaction of 85%. Change first sentence of second para to “We have made and continue to make investments in our IT systems and our culture to deliver a better, modernised service.

We have made and continue to make investments in our IT systems and our culture to deliver a better, modernised service. We intend to focus strongly on the basics of housing management, delivering the key services most important to customers as well as we can.

The move to a digital service has impacts on traditional ways of working. We will implement a redefined service offer in response to this and the growing diversity of our customer base. We are seeing increases in leasehold customers who own at least part of their Network home, in those who market rent from us, and in people coming into our social rented homes on very low incomes and with some level of support needs. We also know that some customers use our services far more than others – a quarter of customers account for close to 80% of repairs and 20% of customers account for 80% of rent arrears, for example.

Further welfare reform will increase the financial pressure on many of our core customers. All of this demands a more targeted response, including tailored interventions, experimenting to identify 'what works', smart community investment, and effectively managing customer expectations of the landlord service. IT business transformation will support this by enabling a fully integrated mobile housing service and improved response and analytics at our award-winning customer service centre.

Through a concerted effort over three years, our repairs and maintenance service has seen substantial improvements. Satisfaction with repairs at the end of 2019/20 was 80.5%. However, there is more to do to ensure repairs are done right first time and to improve contractual management so all contractors are delivering

effectively to our standards. We will reduce waste and unnecessary cost within the service without compromising quality.

Following the various inquiries into the Grenfell Tower tragedy there will be more pressure from politicians, regulators and customers around the ongoing quality of our homes and we will respond appropriately. It is clear that we need, as a sector, to find different ways to make sure residents' views are heard by executives and Board's and count in the shaping of services. We will invest in our recently-established, resident-led Panels to ensure the connections between our decision-makers and residents are sound. But we will also look to be more innovative and find new mechanisms for listening to the people we exist for, including using digital platforms more to engage a wider range of residents.

Different ways of operating will mean adaptation for our staff. We will continue to provide high quality training as we change the way we work and continue to expect year on year improvements in the service from our people. We want to see better engagement and communication with residents and more consistent quality of service. This is even more important as we redefine the service offer and customers use social media to engage with us in an immediate and public way.

With a view to continuous improvement, we have extended our benchmarking to include a second peer group based on a 'similarity score' with Network Homes' operations. We now have multiple ways of measuring our performance and costs, including the new Sector Scorecard and the Social Housing Regulator's annual cost per unit comparisons. A key task during this strategy period will be to improve our housing management value for money, to deliver a more streamlined, effective, quality service at lower cost.

Achieving our objectives

3 Increasing our financial resilience

Ambition



Increasing our operating margin year-on-year

This replaces 'increasing financial strength', to better articulate our commitment to long-term stability.

We will achieve this by:

- > Ensuring costs per unit and value for money measures are in line or better compared to peer group averages
- > Effectively managing risks to maintain lender and regulatory confidence
- > Attracting new funding from capital markets and institutional investors
- > Growing borrowing capacity by £380m to deliver our development ambitions
- > Using strategic asset management to improve the financial performance of our portfolio and release new capacity, learning from industry best practice

Our investment needs over the 2018-23 period are considerable, to deliver on our ambitious growth plans, to fund improvements in our infrastructure and resources to achieve our customer service objective, and to meet increased costs within existing stock in response to the concerns raised by the Grenfell Tower tragedy. At the same time, we are operating in a more unpredictable political and economic climate than ever before. Alongside necessarily higher levels of market development, this increases our financial risk and makes it imperative we improve our financial resilience further and effectively control and manage cost and risk.

Network Homes is already a financially strong business. By 2023 we expect to be managing property assets of circa £2.4 billion, with interest cover comfortably above covenant requirements, and reserves of around £500 million. Our modelling and stress-testing indicates that, despite policies such as the four year rent reduction and welfare reform stretching into the 2020s, we are in a good position to finance our plans. We will maintain a surplus before sales throughout this strategy period.

However, we want to release additional capacity to invest in services and more new homes. Our operating costs are higher than our peer group average and our core social housing lettings margins are lower. Having examined the reasons for this in detail, we believe there is scope for bringing our costs per unit down and growing our social housing margin. We will have a strong focus on value for money cost savings, service planning and budgetary discipline throughout this strategy period to support our ability to meet our ambitions.

Through the Asset Management Strategy, Network Homes will use a range of interventions, including redevelopment/remodelling, site intensification, tenure conversion, and disposal/swap, to 'churn' assets that fail to provide an acceptable return on investment or where there are sound reasons to reconsider asset use.

Strategic asset management has a role to play in supporting financial capacity for continued business growth. We will also seek further efficiency gains within our programme of investments in the existing stock.

Financial resilience becomes even more important with lenders focusing more strongly on individual housing association performance in an era of deregulation and where government-backing is less assured. While this will tend towards an increase in the cost of capital, competition in the lending sector tends the other way, and interest rates seem likely to stay low by historic standards throughout the strategy period.

In addition to traditional sources, we will seek finance from the capital markets and institutional investors. In 2017/18 we secured our first institutional investment from MUFG and the British Aerospace pension fund and we intend to approach the bond markets from 2018/19. More lenders are coming into the housing association market as knowledge and experience of our business model improves, including insurance companies and pension funds. The overall strength of our financial position means we remain confident about accessing new sources of funding at reasonable cost as we require.

We have already taken considerable steps to improve risk management within the context of simplifying our structure and governance. We have recruited greater risk management expertise onto our Audit and Risk Committee and Board oversight of risk is strong. The Scheme Risk Assessment Panel acts as the primary assessor of development risk, with Board decisions required for financial risks above the agreed delegated level. While we cannot eliminate risk, we have the controls in place that enable us to manage it effectively. Our full risk management framework is reviewed on an annual basis.

Achieving our objectives

4 Building a great organisation

Ambition



87%

At least 87% of our colleagues feel proud to work for Network Homes

This objective remains unchanged in wording, but the change in ambition reflects our desire to be a company that our staff are proud to work for

We will achieve this by:

- > Moving to new offices in Wembley and Hertford to improve the working environment
- > Investing in our leadership and management capability
- > Embedding genuine employee engagement
- > Establishing a more robust approach to performance management
- > Improving strategic planning
- > Further developing the brand and improve stakeholder engagement

Since our amalgamation in 2016, we have made significant progress in building engagement and improving perceptions amongst stakeholders. Our last staff survey showed 89% of employees engaged and a further improvement in our overall results. The large majority of staff and key stakeholders have bought into our corporate objectives and brand vision, and our internal and external reputation is in a much better place than two years ago.

We need to not only sustain these gains, but take the next steps towards becoming a great organisation and one of the best performers within the housing association sector. Over the early part of this strategy we will manage through the final legacy issues from our previous federated structure. This will help cement the structural and cultural changes we have made.

In 2020 we moved to a new office, The Hive, in Wembley, and while we haven't been able to enjoy this new opportunity as much as we'd hoped because of the Covid-19 Pandemic, the feedback from staff who have had the opportunity to enjoy our new office has been extremely positive. The pandemic has also forced a rapid acceleration of our move towards more flexible working arrangements, and the processes already set in motion to allow more flexible working have made this shift to predominantly home working an incredibly smooth one.

We have improved our strategic planning, but there is more to do to improve the integration between strategy and operational service planning, so there is a clear 'golden thread' guiding how we work at all levels. We will continue to use the new strategy & research team to support better evidence-based decision making, highlight options for improving our service to customers, and enhance our market intelligence. With data becoming ever more important to future business success we will create a strong focus on improving data quality to support effective performance monitoring and ensure we understand our customers and their needs better.

We have had considerable success in promoting our new brand, notably by winning several

prestigious national awards, and we have started to build our sectoral influence, leading or working on major national research and policy projects, taking up speaking opportunities and taking a more prominent role in key forums. We will continue to develop the Network Homes brand. In particular, there is considerably more we can do to build excellent stakeholder relationships and achieve greater influence at national, regional and local levels.

Achieving our objectives

5 Strengthening residents' trust in us

Ambition



10%

Improvement in trust in us by 10% year on year

We will achieve this by:

- > Having open and honest conversations with residents
- > Keeping our promises
- > Being honest that sometimes things go wrong, but when they do we'll put it right as soon as possible and keep residents updated on progress
- > Communicating as clearly and concisely as possible. We will do this in a way that suits individual residents and takes into consideration any specific requirements they may have
- > Being transparent by default – documents, processes, and decisions will be made publicly available and clearly explained
- > Tailoring information to residents that is relevant to them and providing it, rather than assuming transparency is in itself enough
- > Keeping residents continuously updated about services and/or specific queries affecting them
- > Ensuring all staff demonstrate an understanding of our social purpose and are encouraged to get involved in activities where they can engage with residents
- > Working alongside residents to shape our services
- > Prioritising continuous improvement based on residents' feedback and regularly reporting progress and learning

One of the key messages from residents is that we need to build greater trust with them. Once our methodology for measuring trust, developed in collaboration with residents, is established, this will give us an initial score and our improvement against it will be measured on an ongoing and annual basis. The actions to improve trust will be responsive to ongoing resident feedback and therefore likely to change over time.

Residents have said we should be open and honest in all our conversations with them and when we are explaining our internal processes. Residents have said we need to communicate better, more often and keep our promises to them. The basic principle of trust is to do what we say we are going to do.

This not only applies to the services we provide but we want to do more in terms of meaningful engagement with residents. If we get this right it will help strengthen their trust in us. We will use the commitments we made in our Resident Engagement and Transparency Action Plan (developed after the Grenfell tragedy) to guide our actions and we will report back on our progress to the Local Resident Panels each quarter and our board on an annual basis.

We will ensure all our communication is clear and concise, listen to residents' feedback about how they would like us to communicate with them and will ensure we tailor our methods for any specific requirements they may have. We will also proactively share information with residents, even if that information indicates we haven't performed well.

The publication of the Social Housing White Paper will be significant force in shaping the way housing associations operate moving forward, and Network Homes is no exception. It sets out what exactly a social housing tenant can expect of their landlord. Much of how Network responds to this guidance will fall under the remit of the new fifth strategic objective, but our response to the white paper will extend beyond this as well.

The organisation has already educated all staff on the content of the paper through a series of briefing sessions and is continuing to work on how the White Paper can best be implemented.



Monitoring and evaluation

To ensure this strategy remains a 'live' working document and reference point for Network Homes, it will be reviewed and refreshed regularly by the executive directors and Board's in line with our annual planning framework.

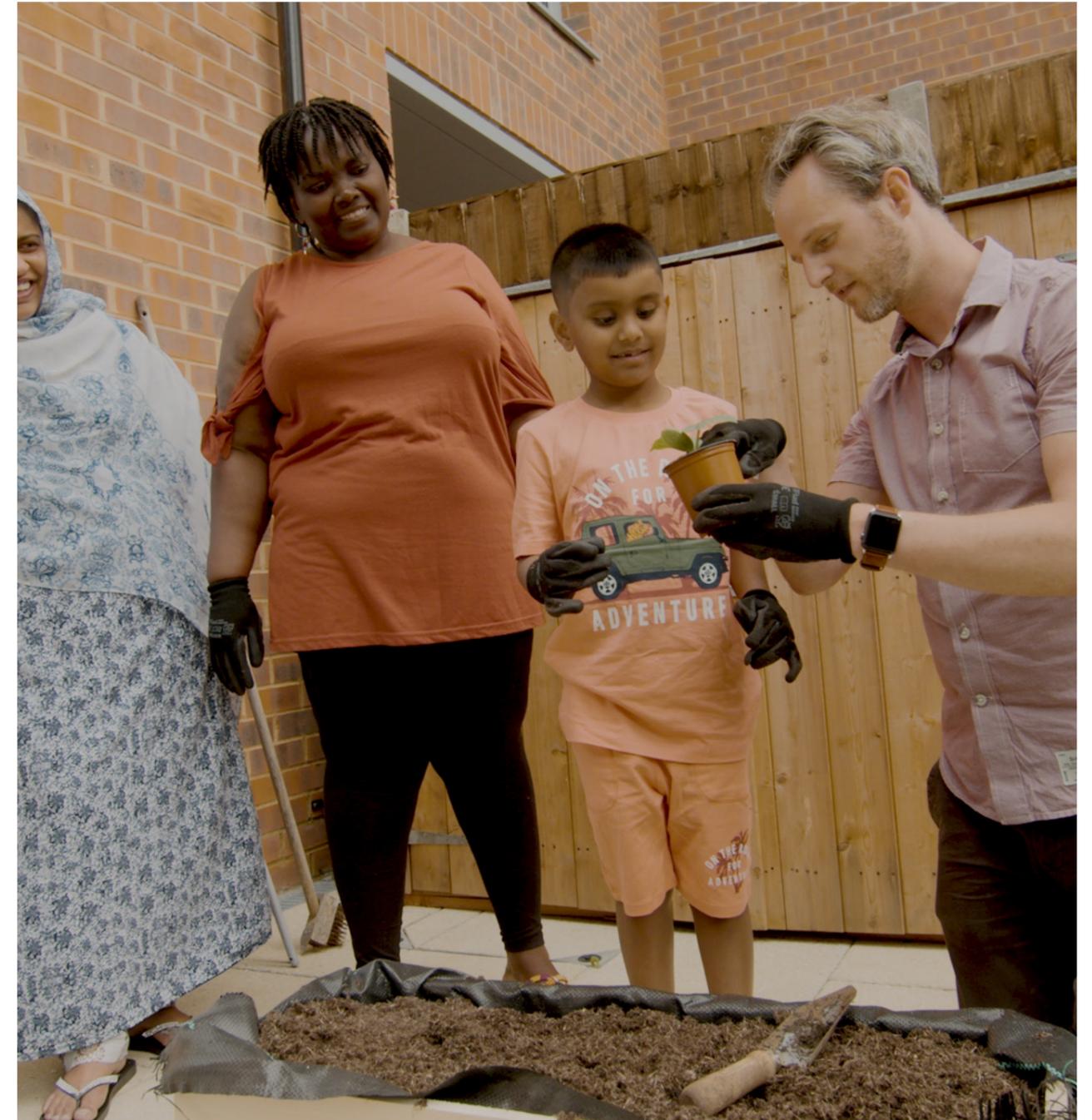
The Five Year Strategy will be supplemented with a 'Roadmap' outlining progress milestones towards delivering the ambitions and key actions within the strategy.

In combination, these documents will sit at the apex of the organisational 'golden thread'. They will form the strategic basis for the corporate annual plan, annual directorate plans, team plans and for individual objective setting. Budget setting and overall business planning will link into this annual planning framework.

In this way we will link the work which every one of our people does day to day with the key strategic objectives and ambitions of the organisation as a whole.

The annual review of the Five Year Strategy will include a broad re-assessment of the external operating environment and the impacts of any new or anticipated changes, including updating of the PESTLE analysis.

The Board will receive an annual report on progress against the Five Year Strategy and Roadmap.



PESTLE analysis



Political

Brexit

- > The full nature of the post-Brexit trading environment is yet to be realised, and therefore there remains a potential for increases in the cost of building due to labour shortages and cost of building materials, and devaluation of the pound.

Affordable Homes Programme 2021-26

- > Housing providers in London will need to attempt to meet housing need with less funding (£4bn) than in the previous five-year programme (£4.8bn).
- > The proposal to make landlords liable for repairs and maintenance during the first 10 years of all new Shared Ownership tenancies may negatively impact our financial capacity to offer this tenure.
- > The Right to Shared Ownership may reduce our attractiveness to lenders by introducing uncertainty in our rental income stream.

Devolution

- > In 2021 a white paper on devolution will be published, probably scaling back some devolution to local authorities, as well as creating more unitary authorities. income streams

Economic

Downturn

- > A potential approaching downturn in the housing market caused by Covid-19 and Brexit would have a detrimental effect on the market sale area of the organisation.
- > Economic hardship faced by residents could increase arrears and create extra demand for the services provided by income team and welfare advice team.

Productivity

- > The UK's continued flatlining productivity could be affected either way by Covid-19, Brexit, a downturned economy, and a greater move to remote/digital working.

Government net expenditure

- > After significant government spending throughout the coronavirus crisis and beyond, government will either have to accept a permanent increase in debt, or cut spending, or raise taxes, or some combination of the three. The most recent budget suggests that there will be a graduated period of reducing spending levels, including the removal of the increase in universal credit payments, which could adversely affect many of Network's tenants.

PESTLE analysis



Social

Health

- > The threat to public health from Covid-19 may continue for several years, potentially necessitating some degree of continued social distancing.
- > Continued social isolation and the economic downturn will have significant negative mental health impacts on the public.

Demographics

- > Free movement of EU citizens in the UK will end, and EU citizens living in the UK will be required to acquire settled status.
- > These changes are expected to significantly reduce immigration, which will have major impacts on industries reliant on migrant workers, including construction.
- > The proportion of the population made up of older people will continue to increase, adding to demand for housing services for older persons.

Housing and living standards

- > Universal Credit may become less generous as extensions introduced during the pandemic are reversed.
- > The increase in poverty, including child poverty, caused by the pandemic prove difficult to reverse, especially if the government intends to limit welfare spending.

- > Young people affected by the economic downturn may find home ownership even further out of their reach, with continued increases in private renting and returning to the parental home.

Inequality

- > Racial inequalities highlighted by the pandemic and Black Lives Matter movement will be a key area of public debate.
- > The public will expect the "levelling up" agenda to reduce inequality between towns and cities, and north and south.
- > The impact of the economic downturn on young people will exacerbate generational inequalities.

PESTLE analysis

Technical

Digitalising services

- > A higher reliance on digitalised services has potential to help organisations become more cost-effective.
- > An increasing proportion of internet non-users are over the age of 65 years, with 75+ making up over half of all UK adult non-users.

Remote working

- > Covid-19 has accelerated moving towards a culture where working from home is normalised.

Building Information Modelling (BIM)

- > BIM has become more typical in the private developer sector, and will become more necessary for housing associations to adopt too since it's conducive to reporting the golden thread of safety information mooted in the draft (at time of writing) Building Safety Bill.

Modern methods of construction

- > Developing through MMC could take off in the near future as an effective way to deliver high-quality and affordable homes at a higher pace through dedicated workforce manufacture systems in controlled conditions, especially if the Planning White Paper succeeds in allocating more land for housing.

Environmental

Energy efficiency

- > Government wants all fuel poor homes to be upgraded to Energy Performance Certificate (EPC) Band C by 2030 for as many homes as possible to be EPC Band C by 2035 where practical, cost-effective and affordable.
- > The UK has committed to net-zero carbon by 2050 and addressing the energy efficiency of our homes will be essential in order to meet this target. The Committee on Climate Change has found that energy usage in homes is currently on the rise, accounting for 14% of total UK emissions.

Fuel poverty

- > From the introduction of government's Fuel Poverty Strategy in 2014/15 to 2019, the number of households in fuel poverty in England increased by 210,000 to 2.55 million.

Construction emissions

- > Since 2013 greenhouse gas emissions from the construction industry have been on the rise in conjunction with increase of new housing. Building much-needed new homes shouldn't jeopardise efforts to halt disastrous levels of climate change; they must be seen as interdependent objectives.

Legal / Regulatory

Social housing

- > The Social Housing White Paper has strengthened consumer regulation and reformed complaints processes, requiring us to increase our focus on customer service, resident engagement, and trust.

Building safety

- > The Draft Building Safety Bill will become law, reflecting reforms outlined in the Hackitt Review and the government's building safety consultation.
- > The Building Safety Bill will mean developing housing associations are under far greater scrutiny to ensure building safety and face stricter sanctions for failures.

Renters' reform

- > New legislation will abolish Section 21 "no fault" evictions, impacting our ability to provide temporary social housing, supported housing, key worker accommodation, build-to-rent properties, and temporary decants.
- > It's plausible that government will also amend ground 8 mandatory rent arrears evictions in light of the coronavirus crisis.

Planning

- > Planning for the Future, if implemented, will move to a zonal planning system and a levy-based system of developer contributions to affordable housing, totally overhauling the processes by which housing associations deliver homes.
- > Because the changes in the white paper are complex and take years to work through, government is planning to introduce shorter term changes including raising the small sites exemption (the number of homes on a development site before affordable housing contributions are expected) from 10 homes to 40-50 homes, and mandating that 25% of homes delivered through developer contributions are First Homes.

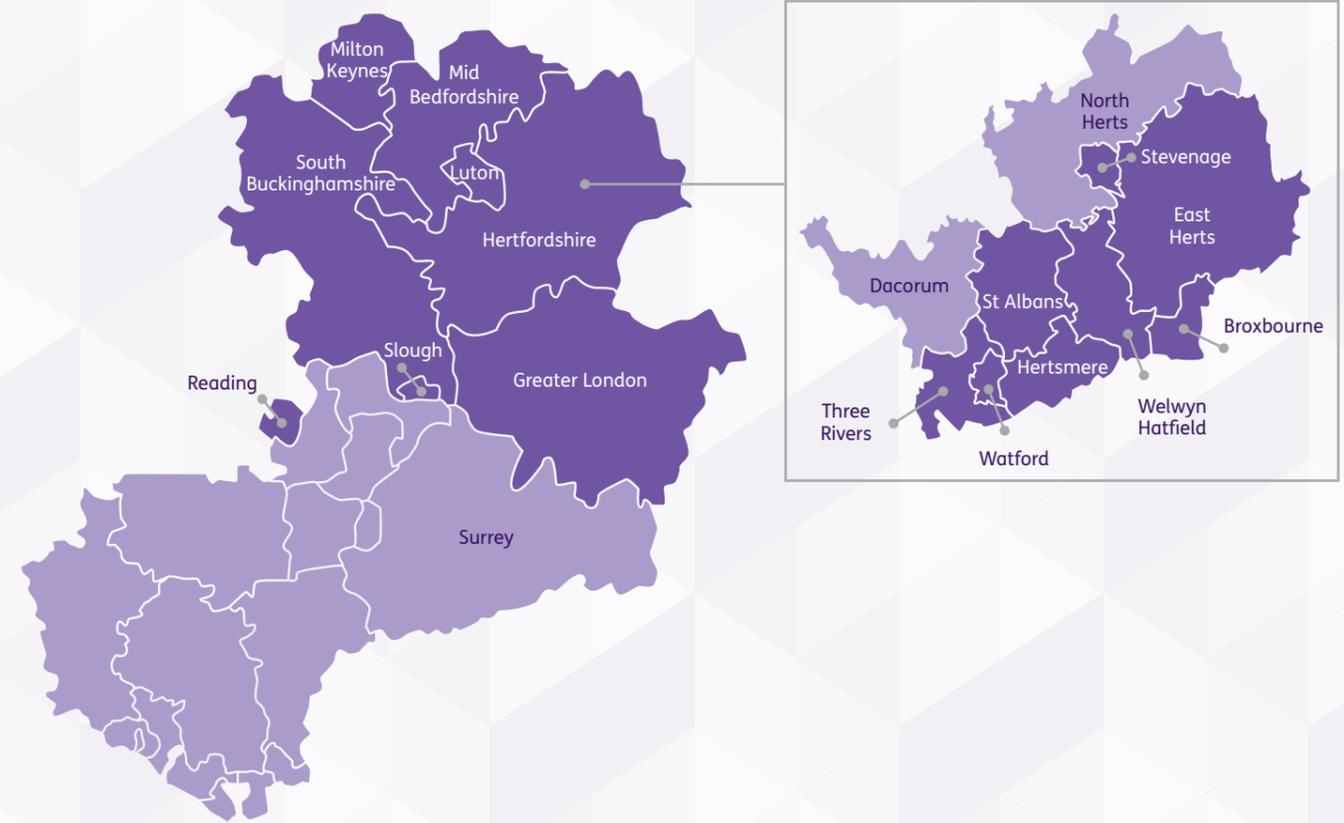
Where we work

London



- Network Homes
- 1 City of London
- 2 City of Westminster
- 3 Kensington & Chelsea
- 4 Hammersmith & Fulham

Outside London





Network Homes



Updated May 2021

The Hive
22 Wembley Park Boulevard
Wembley
HA9 0HP

www.networkhomes.org.uk

marcomms@networkhomes.org.uk
0300 373 3000