

# New Homes Strategy 2021-2026

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Together with our **communities**, creating  
**affordable homes** and **great neighbourhoods**





# Part 1 Strategic Objectives

We aim to deliver up to 3,175 new homes and start building an additional 625 new homes by 2026.

Eastlight owns more than 12,000 homes. Whilst we have stock in nine local authority areas, 85% of our homes are in the Braintree district and Colchester borough. It is our ambition to deliver more quality homes across the East of England.

We have a solid foundation in place: Eastlight and development partner Icen Homes combined have circa 800 homes in contract, with terms agreed on a further 1,100.

### We build new homes for social rent, affordable rent and shared ownership:

**Social Rent:** The most affordable rented homes, with rent levels typically at 55% to 65% of market levels. Delivering homes for social rent is not possible without significant subsidy.

**Affordable Rent:** Homes with rent levels up to 80% of the market rent level for any given area. Providing homes for affordable rent is only possible with some form of subsidy, from external funders (such as Homes England), or the planning system (through Section 106 affordable housing requirements) or by Eastlight cross-subsidising such homes from other forms of tenure.

**Shared Ownership:** Homes sold on a part buy/part rent basis. Purchasers can buy an initial percentage of the value of the home (between 10% and 75%, but typically around 40%) and pay rent on the remaining percentage to Eastlight. Households who cannot afford a home on the open market can purchase a home with a much smaller mortgage which means a smaller deposit of 5% to 10% of that share. Owners can 'staircase' by purchasing further percentages, as their financial position allows.

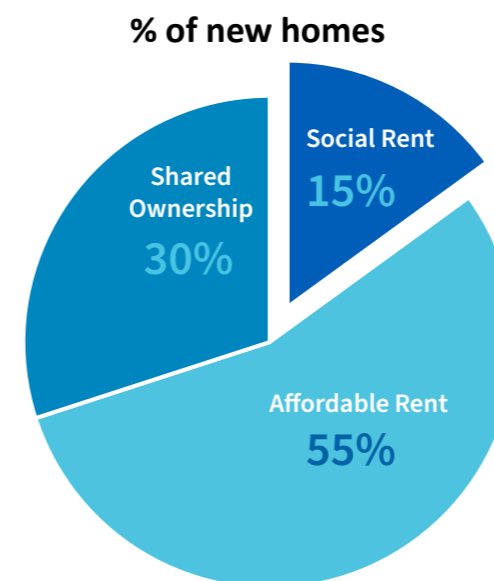
### The primary objectives of this strategy are to:

- Create mixed communities, set in great places, which are well stewarded in the long-term
- Deliver 3,175 new affordable homes and start building 625 more homes by 2026
- Deliver new homes for social rent, maximise opportunities to secure Homes England grant for social rent and support delivery using existing funds
- Build low-rise affordable homes for rent and low cost home ownership
- Undertake developments that produce financial and social returns on our investment
- Create a Design Brief to ensure all our new homes are built to an Eastlight standard
- Listen to our customers and design homes and communities that meet their needs
- Build homes that are environmentally sustainable and meet the Future Homes Standard in advance of regulation
- Work with appropriate partners where this supports delivery of our objectives
- Continue to build new homes in our heartland
- Deliver new homes across the East of England, where these can be built, managed and maintained effectively.

Our investment in new homes will recognise the broader environment, including investment in existing homes, the climate crisis, Brexit and post-pandemic recovery. Eastlight's operating area will be widened to deliver the ambition to 'unlock eastern potential'.

A two-level approach will be implemented, and we will build on our existing heartland in Level 1 areas. In Level 2 areas, we will build homes where opportunities are secured at scale which can be managed and maintained sustainably and reflect the needs of the local community.

We will deliver affordable new homes, with targets for the split of tenure as follows:



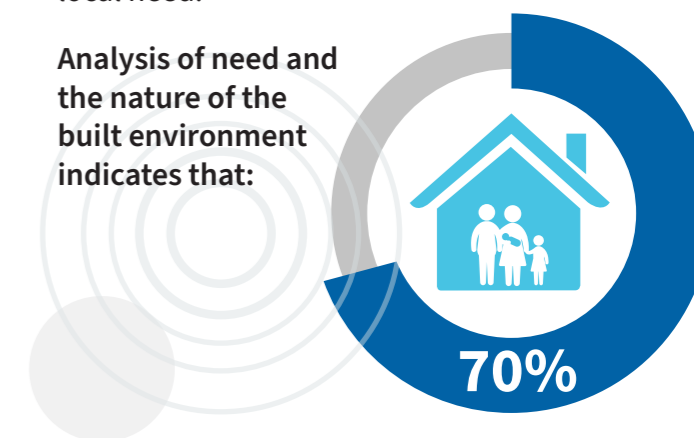
We will seek grant support to deliver social rent homes. In areas designated as having a high affordability challenge, grants may be available at levels above the benchmark for affordable rent.

In other areas, grant for social rent will be at the same benchmark levels for affordable rent. We will use available resources (CHIP fund, disposal proceed fund) to provide subsidy to deliver homes for social rent.

We will build market sale homes only where they can cross-subsidise delivery of affordable homes or where a mix of tenures is needed to create balanced, sustainable communities. These homes will be additional to our delivery target.

Core delivery will be homes for general needs, with consideration of opportunities which enable independent living, where identified need exists. We will build a range of property types and sizes, with each project designed to meet identified local need.

Analysis of need and the nature of the built environment indicates that:



Eastlight's future delivery of family houses (two, three, four bed)

## Consultation

Feedback from Eastlight's customers, Board and people has confirmed priorities and targets for our home building.

Priorities	Targets
<ul style="list-style-type: none"> <li>• Safe and decent homes</li> <li>• Homes that are cheap to run</li> <li>• Homes that are energy efficient</li> <li>• Access to useable external amenity spaces</li> <li>• Homes that are close to amenities.</li> </ul>	<ul style="list-style-type: none"> <li>• The percentage of homes built for social rent</li> <li>• The percentage of carbon neutral homes delivered</li> <li>• The split of delivery routes, between developer and Eastlight-led projects.</li> </ul>



## Delivery and Partnerships

Eastlight will develop a balanced programme, working with housebuilders to deliver homes through the planning process, whilst taking the lead on other projects to provide greater control over quality and programme.

Our target is to have a ratio of 75% developer-led and 25% Eastlight-led in 2021/22, moving that to an even split by 2023/24 and maintaining that for the next two years.

### We will achieve this using a spectrum of approaches:

- Land-led
- Partnership working
- Joint ventures
- Package deals
- Additional developer units
- Rural housing
- Asset sites
- Regeneration opportunities.

Eastlight will create and control a pipeline of land and employ a range of methods to deliver new homes to achieve a balanced programme.

We will be required to take a longer-term view on projects and commit to greater risk and potential higher development and abortive costs.

Whilst we can deliver small-scale land-led, package and asset schemes, to compete for land, build at scale and manage risk, partnership working across a range of delivery vehicles is necessary.

Opportunities for diverse delivery will be considered on a scheme-by-scheme basis but within a framework of principles that will guide decision making.

We will seek collaborations with partners where we can guarantee quality, strong relationships and shared values.

### We will utilise the following structures:

#### Joint Ventures (JV)

A formal partnership, either contractual or corporate-company limited by share or limited liability partnership (LLP) - which can cover a single project or a programme of projects where risk and reward is shared.

#### Development Consortium

A group of partners with shared values, collaborating to deliver at scale. Such arrangements can be loose partnering agreements, or formal contractual vehicles, usually constituted as a JV, governed by a shareholder board and employing a dedicated team to develop and deliver new homes.

#### Comprehensive Development Agreement (CDA)

A formal agreement that is typically used for a specific large-scale redevelopment or regeneration project, where there is no corporate vehicle.

#### Investment Company

The creation of a separate legal entity to pull together investors to enable the delivery of new homes.

## Homes England

Eastlight enjoys an existing investment partnership with Homes England.

Qualification for the Affordable Homes Programme (AHP) 2021-26 is secured and we will continue to seek grant funding via Continuous Market Engagement (CME).

We will explore the potential to seek Strategic Partnership status, either alone or in collaboration with like-minded partners, if this enhances our ability to meet strategic objectives.

## Design and Performance

### We will create a Design Brief, to ensure all new homes meet an Eastlight quality standard:

- Adopt a baseline for developer-led schemes (i.e. size, specification, layout), which represent a minimum standard
- Create a range of tenure-specific specifications
- Design layouts that enable effective working from home, supported by high-quality, high-speed digital connectivity
- All homes to be delivered to Nationally Described Space Standards
- Eastlight-led schemes will be delivered to the Design Brief, enshrined in standard Employer's Requirements
- We will build low-rise homes up to a maximum of six storeys
- We will deliver Eastlight-led schemes to Lifetime Homes standards and deliver wheelchair accessible homes where the need exists
- The Design Brief will be reviewed annually to reflect changing legislation, standards, best practice and customer feedback.

Our Design Brief will include a Modern Methods of Construction (MMC) strategy, developed in conjunction with industry experts.

### We will:

- Research and utilise MMC where it is practical to do so
- Take a measured approach to implementation, with consideration of use of pilot projects
- Explore partnership working to mitigate risk
- Be informed by Homes England leadership on MMC.

Eastlight-led projects will provide the opportunity to push environmental performance, both in terms of construction and in-use.

We will look to deliver carbon neutral ready homes to Government's Future Homes Standard, in advance of the statutory requirement to do so which is expected in 2025.

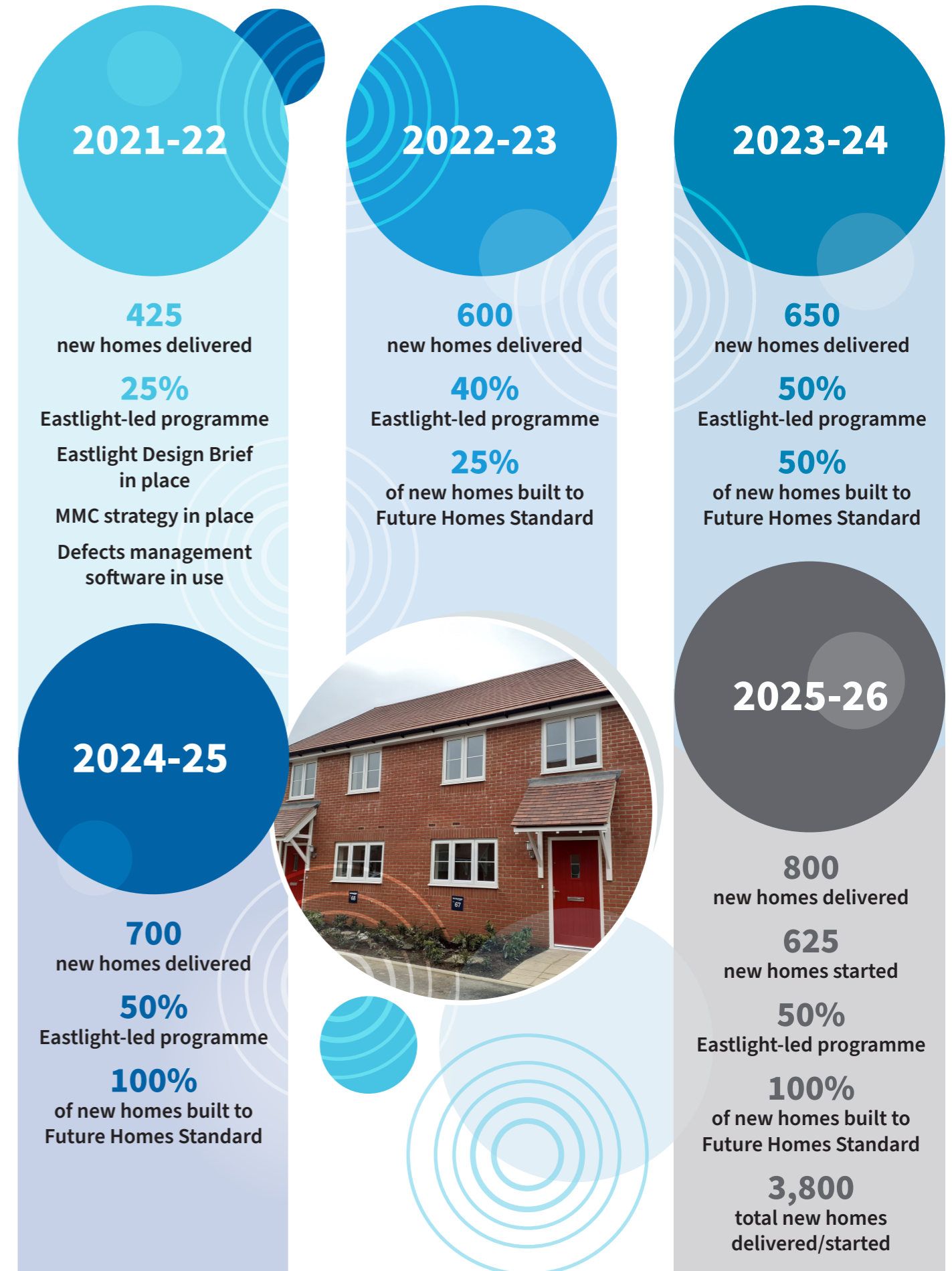
We want all our new homes to meet the specification by 2024-25.



# Delivery Plan

Deliverable	Action	Timescale	Review
<b>New Homes Strategy performance measurements</b>	Create suite of KPIs to measure performance against financial and strategy targets	Quarterly reporting	Annual
	Investment Committee scrutiny of performance against strategy targets	Quarterly reporting	Annual
	Create social value measures, consistent with corporate Social Value strategy	Quarterly reporting	Annual
	Review of development appraisal assumptions, including external benchmarking	Annual in-line with budget-setting process	Annual
<b>Great homes, in great places</b>	Creation and implementation of Design Brief	By Q3 2021-22	In line with legislative and regulatory change
	Creation and implementation of MMC strategy	By Q3 2021-22	Biennial
	Delivery to Future Homes Standard	From Q1 2022-23	Annual
	New Homes Customers' Group	From Q4 2021-22	Annual
<b>Great customer service</b>	New customer satisfaction surveys	At scheme end of defects	Annual
	Recruitment of Aftercare Manager	By Q2 2021-22	
	Purchase and implementation of specialist defects software	By Q2 2021-22	
<b>Delivery and partnership working</b>	Design long-term structure for delivery, build internal capacity and complete recruitment	By Q2 2021-22	Annual
	Seek partnerships with like-minded organisations (including LAs, RPs, developers) where this will increase delivery, offset risk, provide expertise	From Q1 2021-22	
	Ensure organisational understanding of appropriate delivery, including agreed 'Rules of Engagement' for partnership opportunities	By Q2 2021-22	
	Secure Homes England grant via AHP 2021-26	From Q1 2021-22	
	Explore Homes England Strategic Partnership status, either alone or in collaboration with partners, where this supports/accelerates delivery.	By Q3 2021-22	

# Delivery milestones and targets





## Part 2 Governance

### Performance Monitoring:

We will measure development performance using a set of Key Performance Indicators (KPIs). These will provide oversight of finance, programme and quality and delivery against our strategic objectives:

- Total new homes
- New homes by tenure
- Schemes secured subject to approval
- Schemes approved subject to contract
- New homes by delivery route
- New homes meeting Future Homes Standard
- New carbon neutral homes
- New homes built using Modern Methods of Construction (MMC)
- Programme Net Present Value (NPV)
- Internal rate of return
- Average build cost
- Abortive costs
- Sales income and sales margin
- Average defects per home and developer.

### Customer satisfaction with new homes

- We will build on existing systems to ensure meaningful feedback is obtained from our customers, using a data-driven approach. The outputs from this feedback will be used to shape the design and performance of our new homes
- Our New Homes Customers' Group will help shape the Eastlight product and input fully into the creation and evolution of our Design Brief. The group will report into the Customer Influence Committee (CIC).



## Resourcing

The delivery of our New Homes Strategy depends on having skilled people in place, both within Eastlight's development team, our professional teams and delivery partners.

We will continue to invest in our people to build knowledge and capacity, ensuring specialisms are in place to deliver a growing, diverse development programme.

This will be supported by joint-working with experienced partners who share our values.

Such partnerships will support Eastlight to gain the organisational experience and capacity needed to deliver at scale through a variety of routes and vehicles.

We will create an innovative approach to external recruitment to ensure Eastlight is seen as a dynamic, growing employer of choice.

## Risk Assessment

Risk	Description	Mitigation
Quality and customer satisfaction	<ul style="list-style-type: none"> <li>• Not delivering a high-quality product where customers want to live</li> <li>• Poor developer-led aftercare</li> </ul>	<ul style="list-style-type: none"> <li>• Creation of Eastlight Design Brief and associated specifications</li> <li>• Minimum acceptable standard for developer-led projects</li> <li>• Enhanced customer feedback and establishment of a New Homes Customers Group</li> <li>• Creation of a specific aftercare service, to manage post-handover activities and defects</li> </ul>
Economy and housing market	<ul style="list-style-type: none"> <li>• Housing market uncertainty following end of Government support (SDLT, furlough)</li> <li>• Supply chain shortages</li> <li>• Labour shortages</li> </ul>	<ul style="list-style-type: none"> <li>• No market products in programme currently</li> <li>• Rebalancing of programme reduces reliance on developer-led supply</li> <li>• Market risk limited to shared ownership (30% of programme)</li> <li>• Monthly monitoring of sales performance</li> <li>• Seek grant to support tenure switch</li> <li>• Refinement of procurement routes: renewed frameworks and preferred suppliers</li> <li>• Analysis of supply chain capacity as part of tender assessment</li> <li>• Improved financial and contracting capacity analysis</li> <li>• Robust use of completion clauses and liquidated and ascertain damages</li> <li>• Workforce monitoring as part of site reporting</li> <li>• Review of development parameters at six-monthly intervals</li> </ul>
Diverse delivery routes	<ul style="list-style-type: none"> <li>• Greater legal, technical, planning risks</li> <li>• Higher costs</li> <li>• Abortive costs</li> <li>• Increased timescales</li> <li>• Limited organisational experience</li> </ul>	<ul style="list-style-type: none"> <li>• Balanced with developer-led supply</li> <li>• Robust due diligence and technical advice</li> <li>• Increased use of frameworks/at risk professional support</li> <li>• Enhanced cost and cashflow management via proprietary software</li> <li>• Joint working with appropriate, experienced partners</li> <li>• Recruitment to specialist posts</li> </ul>
Government policy	<ul style="list-style-type: none"> <li>• Changes to planning system, leading to reduced developer-led supply</li> <li>• AHP 2021-26 Shared Ownership model</li> </ul>	<ul style="list-style-type: none"> <li>• Rebalancing of programme reduces reliance on developer-led supply</li> <li>• Appraisal assumptions amended to reflect additional risk and cost of proposed Shared Ownership model (10% initial shares, 10-year repairs obligation)</li> <li>• Qualification for AHP 2021-26 confirmed</li> <li>• Assess potential for Homes England strategic partner status, where this will support, accelerate delivery and provide grant certainty</li> </ul>
Competition	<ul style="list-style-type: none"> <li>• Other RPs</li> <li>• For Profit Registered Providers (FPRP)</li> <li>• Developers</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly review of competitiveness and at least annual review of appraisal assumptions, including external benchmarking</li> <li>• Securing strategic relationships with appropriate partners</li> <li>• Secure opportunities to redevelop Eastlight assets</li> <li>• Seek regeneration opportunities</li> </ul>
Resource	<ul style="list-style-type: none"> <li>• Skills, recruitment, retention &amp; motivation</li> </ul>	<ul style="list-style-type: none"> <li>• Gap analysis and training needs assessments</li> <li>• Competitive employee offer</li> <li>• Agile working arrangements, with appropriate ICT support</li> <li>• Progression and career planning</li> <li>• Learn from others, via strategic partnerships</li> </ul>
Financing	<ul style="list-style-type: none"> <li>• Capacity for duration of strategy</li> <li>• Tax liability</li> </ul>	<ul style="list-style-type: none"> <li>• Leverage Eastlight's scale to secure funding on the best possible terms</li> <li>• Effective programme and cashflow management to ensure efficiency in the drawdown of funds</li> <li>• Use existing sources of funding (CHIP fund, disposal proceeds funds) to subsidise delivery of homes for social rent</li> <li>• Use of appropriate delivery vehicles to maximise tax efficiencies</li> <li>• Build on existing relationship with Homes England to maximise available grants</li> <li>• Potential to deliver market homes, where this enables delivery of new affordable homes</li> <li>• Seek JV opportunities, delivered via a separate corporate entity and off balance sheet, thereby increasing capacity.</li> </ul>

# Value for Money



The development of new homes represents Eastlight’s biggest investment.

It is essential that this is financially sustainable, cost-effective and within business plan parameters. We must ensure the homes we build are high-quality, meet need, satisfy our customers’ expectations and provide a measurable social return on investment.

**The principal themes of value for money (VFM) are:**

Theme	Method
Financial performance and return on investment	<ul style="list-style-type: none"> <li>Financial performance of schemes and programme to be measured against agreed KPIs</li> <li>Appraisal assumptions to be reviewed and agreed at six-monthly intervals and will be variable to reflect the risk profile of different tenures</li> </ul>
Cost effectiveness in delivery of new homes and optimisation of returns on investment	<ul style="list-style-type: none"> <li>Effective budget and programme management, measured against agreed KPIs</li> <li>Use of appropriate delivery vehicles to maximise tax efficiencies</li> <li>Use of innovative technologies (MMC) where cost/programme savings are proven</li> <li>Increase the use of frameworks to maximise VFM and quality in the procurement of contractor and key consultant partners</li> </ul>
Optimisation in the use of debt funding and grant subsidy	<ul style="list-style-type: none"> <li>Leverage Eastlight’s scale to secure funding on the best possible terms</li> <li>Effective programme and cashflow management to ensure efficiency in the drawdown of funds</li> <li>Build on existing relationship with Homes England to maximise available grant</li> <li>Potential to deliver market sale homes, where this enables delivery of new affordable homes</li> <li>Seek joint venture (JV) opportunities, delivered via a separate corporate entity and off balance sheet, thereby increasing capacity</li> </ul>
Delivery of products which meets the needs and aspirations of our customers	<ul style="list-style-type: none"> <li>Creation of Eastlight Design Brief and associated specifications, with potential to create economies of scale via standard house types and component procurement</li> <li>Customer feedback and establishment of a New Homes Customers’ Group</li> <li>Creation of a specific aftercare service, to manage post-handover activities and defects</li> </ul>
Social return on investment	<ul style="list-style-type: none"> <li>Ensure specific development KPIs form part of our corporate social value measures, to include rent levels compared to lower quartile market levels and affordability of shared ownership compared to market rent, sale, first homes.</li> </ul>



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