

Stronger Foundations

Karbon Group Strategy 2024-29



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Foreword

We're pleased to introduce our Stronger Foundations Strategy 2024-2029.

We're refreshing our strategy at a time of significant challenges facing our sector and customers, however, we're looking to the future with optimism, ambition and determination.

Ensuring that our customers live in safe, secure and well-maintained homes is at the heart of our role as a landlord. We can only achieve this by continuing to invest in our properties in a way that will benefit both current and future customers – and doing so is central to our strategy.

We are also determined to uphold our commitment to being more than 'just a landlord'. Over the next five years, we will continue to provide a strong foundation for life, helping people to shape their own future. We will also keep our customers at the heart of decision making and champion their voice in everything we do.

In the current economic climate, we are having to do more with less, so key to our strategy is securing value for money, something that our customers rightly expect.

We will ensure that the decisions we make are carefully considered and achieve the best possible outcomes for our customers and the communities in which they live.

As a housing association, we have a well-deserved reputation for being friendly and welcoming. We champion the rights of customers, promote fairness and celebrate diversity. These values are integral to our strategy, and they also inform the positive working atmosphere we seek to seek create for our staff.

We would like to thank our customers, staff and Board Members who have shaped this refreshed strategy. Now, our focus is on delivery as we make 'stronger foundations' a reality and our homes and communities great places in which to live and thrive.



Sir David Bell KCB DL
Group Board Chair



Paul Fiddaman
Group Chief Executive

About our strategy

This refreshed strategy, our third as the Karbon Homes Group, is being published at a time of significant challenge, both for housing associations and for the UK in general. Pressures on the sector range from financing development of new homes, driving up the quality of homes and services, managing increasing supply costs and difficulties in accessing skilled labour. These have collectively created a very demanding operating environment.

Against this difficult backdrop for the housing sector, we stay committed to maintaining our reputation for sound and sustainable financial management, retaining the confidence of our customers, investors and regulators.

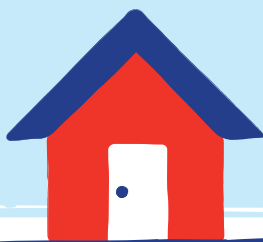
We are explicitly embedding **value for money** principles across the delivery of our strategy. We must continue to ensure that we're doing the right things with our income, much of which comes from our customers. Everything in this strategy and the way that we'll deliver it will be tested on how it achieves efficiency, effectiveness and economy.

This will be made possible by ensuring our values, to be Inspiring, Dynamic, Bold, Reliable and Thoughtful, continue to underpin all that we do. They will provide a platform for our people to maintain engaged high performance.



Mission

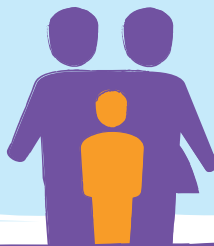
Provide a strong foundation for life



Homes

Provide good quality homes

- Improve the quality and sustainability of our existing homes
- Provide new homes to meet growing demand and changing needs



Customer

Deliver an excellent customer experience

- Build meaningful relationships
- A brilliant landlord
- Great digital choice
- Delivering excellent service



Place

Shape strong, sustainable places for our communities

- Fair Foundations approach to make the most impact
- Working in partnership
- Using the right processes

Enablers of success

- Embed sound environmental, social and governance practices
- Ensure we deliver value for money
- Grow our business and our reputation
- Identify and meet our future challenges



Inspiring

Dynamic

Bold

Reliable

Thoughtful

Our strategy sets out our key strategic aims, underpinned by our approach to Enablers of Success. A number of cross-cutting themes run throughout the strategy, and these have emerged through customer insight, an understanding of the external environment and internal reflection on the key challenges we're facing. These themes are:



Inclusion and belonging



Data and digital solutions



Strengthened customer voice



Collaboration and partnerships





A: Homes: Provide good quality homes

Our fundamental role as a landlord is to ensure our customers live in well-maintained, good-quality homes and that they feel safe, supported and satisfied.

Our strategy reflects this commitment. We'll keep investing in our homes to ensure that they continue to achieve or exceed the Decent Homes Standard, while also meeting goals around decarbonisation.

The UK is in the midst of a housing crisis. Most of the areas in our footprint lack enough good-quality, affordable homes that would enable our communities and customers to fulfil their potential. That's why we're committed to growing the number of homes that we own and manage through a programme of development, organically

growing the number of affordable homes we own each year. This commitment is further supported by a thoughtful approach to growth when it comes to mergers, acquisitions and further provision of services.

We'll measure how we're performing by:



Development:

New supply as a percentage of social housing units - this is the percentage that we hope to increase our total number of homes by, through growth and development.



Quality and Decarbonisation:

This is the proportion of our homes that have an energy performance certificate (EPC) of 'C' or above.



A1: Improve the quality and sustainability of our existing homes

Ensuring the ongoing quality and safety of our homes, while prioritising customer wellbeing, requires our increased investment and proactive management. This is driven by the need to provide an excellent customer experience, anticipating a new and improved Decent Homes Standard and working to meet climate change obligations.

The UK's commitment to bring all greenhouse gas emissions to Net Zero by 2050 will require significant investment and innovation. We estimate that an investment of approximately £465 million (around £17.5k per home) will be required over the next 25 years.

Invest more in our homes

Over the last five years, we've endeavoured to complete detailed surveys of all of our homes to understand the condition of the fabric of the building, continuing to work with customers whose homes we're yet to access. They have provided additional data around timelines for replacing or upgrading components within the home. This enables us to plan for the extent of work and investment needed, helping reduce the volume of responsive and emergency repairs.

Data will help us make important investment decisions, from improvements and remodelling to more radical interventions when needed. Some homes may have met

the end of their effective life, where it is not possible or is too expensive to make the necessary improvements. In these cases, we'll consider ethical disposal options, ensuring customers have the opportunity to shape any changes.

Decisions will be influenced by ensuring all of our homes meet the Decent Homes Standard, at the very minimum.

We'll explore ways to improve and modernise communal areas in supported schemes, extra care and general needs homes. We want these spaces to feel like an extension of customers' homes, while keeping rents and service charges at affordable levels.

Meet the 2050 Net Zero commitment

The UK's commitment to Net Zero 2050 means there's a pressing need for us to improve the energy performance of our homes. Our initial goal is to ensure all of our homes have an EPC-C rating or above by 2030, then be Net Zero of carbon emissions by 2050.

We expect we'll see considerable innovation in technology and supply chains available to meet the Net Zero target, as well as potential

changes in the policy environment and the availability of finance to support these investments. In the meantime, we'll focus on 'fabric first' improvements to ensure homes are effectively insulated, prior to future installation of new technologies.

This approach will help ease rising energy costs for many of our customers and, for some, reduce the risk of fuel poverty.

The North's housing crisis

The housing crisis in the North is one of low supply, but also of lack of investment in poor quality, poorly insulated and inefficient homes.

There is a clear need for a significant number of new homes, with around 340,000 new homes required each year to meet demand in England over the next decade.¹ A significant proportion of these new homes need to be affordable, with recent research showing 90,000 net new social homes are needed every year.²

The gap between housing growth and demand is making housing less affordable for renters and prospective homeowners. This challenge is distinctive in the North of England, where the types of housing and its density often reflect an industrial past.



A2: Provide new homes to meet growing demand and changing needs

Our approach to development will support our role in addressing the affordable housing need across the North of England and Yorkshire. Over the next five years, we'll deliver homes across a range of tenures. We may need to flex development targets to deliver the right level of investment in improving the quality of existing homes. We'll work with local communities and partner organisations to identify local demand, which will help us invest in new homes in both rural and urban areas. Our new homes will offer a mix of tenures, providing people with the opportunity to own their first home while ensuring that social, affordable and market rented homes are also available. We'll continue to provide specialist homes for those who need them.

In construction, through design and sustainability, we'll aim to meet ambitious standards. We'll use Modern Methods of Construction (MMC) for at least 25% of our developments and we'll invest in schemes where methods are innovative.

We'll meet new design specifications by embedding environmental sustainability and invite our customers to share their views to ensure their needs are met. As with our existing homes, we'll adopt a fabric first approach, and our new homes will be built to at least EPC-B.



Offer a variety of tenures, including a step on the housing ladder

As one of Homes England's Strategic Partners, our new homes will provide opportunities to help meet the demand in our communities for home ownership. This will include a range of affordable home ownership products on offer, with Rent-to-Buy and shared ownership, complementing our homes for outright sale.

The remainder of our grant-funded new homes will be rented homes and offered as either affordable (up to 80% of market rent),

social (around 55-60% of market rent levels) or supported homes for customers with additional support needs.

We'll also make some of the new homes we build available for outright sale.

We'll reinvest the profit we make through outright market sales and market rent into increasing the number of affordable and social housing available to rent or buy.

Develop specialist and supported homes in response to societal needs

A proportion of our affordable homes for rent will be specialist homes for those with specific needs. In these, we'll reflect changing design standards and customer expectations, with many developments offering mixed tenures and opportunities for customers to secure a new home.

Some customers need specialist homes or access to additional support services. We'll partner with local and specialist organisations to develop a small number of homes that address homelessness, provide a safe home away from domestic violence, meet the needs of people with mental illness or enable those with more complex needs to live well independently.



B: Customer: Deliver an excellent customer experience

Whether they're a tenant or a resident, to us they're a customer. We want to help build better lives for our customers, not just better homes. Everything we do is for their safety, wellbeing and happiness in their homes.

There remains much more we can do to personalise our services, offer greater choice and be easier to communicate with. To do this, we need to get the fundamentals right first, and deliver our core services as a landlord to a consistently high standard.

From summer 2024, we'll report our performance against the new Tenant Satisfaction Measures (TSMs) on an annual basis. We'll publish this so we can be compared with other housing providers, increasing our accountability. We'll use the insight from TSMs, complemented with other customer insight, to ensure we're continuously listening, learning and acting on feedback.

We will measure our success in this area in three ways:



Customer Experience:

This is the percentage of customers that are very or fairly satisfied with us as a landlord, and is a Tenant Satisfaction Measure.



Occupancy:

Void rent loss as percentage of annual rent debit - this is the percentage of potential rent income that is lost through homes being empty.



Building and Customer Safety:

This is how many of our homes are fully up-to-date against a range of Building Safety Indicators, and is a Tenant Satisfaction Measure.

The indicators include:

- Gas Safety checks
- Fire Safety checks
- Asbestos Safety checks
- Water Safety checks
- Lift Safety checks



B1: Build meaningful relationships

At the heart of our approach to customer experience is our continued commitment to building meaningful relationships, ensuring that customers' voices are heard and have a direct impact on service delivery.

Customer voice

We engage and involve our customers in decision-making and we're looking to extend this further as we deliver our refreshed strategy. This will mean proactively seeking, listening to and capturing feedback from individual customers, with an ambition to better understand groups of customers who share distinctive needs.

We're committed to being more transparent and accountable, and we'll work with customers to further strengthen our 'you said, we did' approach.

We'll ensure that our customers' voices are heard at all levels, including at Board level, and that they influence decision-making.

Understand our diverse customer base

We're committed to strengthening our understanding of our customers so that we can tailor our services to meet their needs. This requires a greater focus on improving how we collect and use customer information. We'll build this into efficient and effective systems that help us respond to enquiries quickly and in a joined-up way, delivering the best customer experience.

We always make an effort to really understand our customers and we'll continue to do this. Meaningful relationships and better customer experience are reliant on quality customer insight. Our approach to insight will become increasingly data-led, and this will help us personalise and customise our offer.



B2: Be a brilliant landlord

We aspire to be a brilliant landlord. Our customers have told us there are two areas that matter to them most; the quality of their home and of repairs, and that they feel safe and secure in their home and the local community.

We want to deliver all of our services to a consistently high standard in ways that are cost effective for customers, listen to feedback, put things right and learn when things don't go so well. We're committed to learning from customer feedback. Where we've made a mistake, we'll work hard to put things right. We'll also consider if wider improvements can be made and, where appropriate, we'll take action to improve the service for all customers based on individual findings.

Be local

We're a housing association that cares and acts, and we've made sure we're a local landlord. This means we're available to our customers locally, in their neighbourhoods and their homes. We'll continue to support our housing and other customer facing teams to be visible in our communities. This will help us improve our services.

A landlord and beyond

Not all customers need all of our services. We know that supporting some customers beyond a typical landlord-customer relationship can create huge opportunities for them to improve their lives.

We'll share with colleagues and customers what our service offering is, our core role as a landlord, how it can be personalised and what additional services we offer to support customers to live well in their homes.

We'll build awareness of these services and continue to make our digital services easier to access and use. Improved data and digital investment will be key to this.

We recognise that we can't support all customers' needs, and our focus on collaboration means we'll signpost to other organisations and services where they are better placed to offer specific support.



B3: Provide great digital choice



Demand for digital access to information and services is increasing, reflecting a wider trend of customers choosing digital access across a range of sectors.

Making it easier, more reliable and secure for customers to use our digital services will enable more to 'self-serve'. While our customer portal is our primary self-serve route,³ we'll continue to enhance our digital offering, using customer feedback to do so.⁴ Direct feedback, digital channel data and segmentation will help us refine and improve our services, our customer journey and

experience. In many cases, this will also help us to be more efficient and to ensure we invest in improving services even further, enabling colleagues to support more vulnerable customers or those who aren't digitally engaged.

Offering choice will help us establish even more ways for our customers to engage with us digitally, but we'll maintain our existing channels, including traditional, offline ways to contact us, like over the phone or in person, because we know face-to-face interactions are still vital.

B4: Deliver excellent service

Our colleagues are passionate about making a positive difference to our customers' lives and we'll continue to promote a culture that supports an excellent customer experience through engaged high performance.

We'll support our people to gain knowledge and skills and provide the data and systems that enable a more personalised service. This is as well as developing a greater understanding of vulnerabilities and specific cultural needs. We'll continue to ensure that our values and behaviours are consistent with customers' expectations and that colleagues understand the significance of demonstrating them.

We'll ensure our policies and procedures are relevant, so that our customers and colleagues remain safe while we meet legal obligations, whilst we adopt principles of excellent customer service. This will empower our colleagues to adapt our service offering and make decisions based on customer needs, within our capacity and consistent with our commitment to value for money. Finally, we'll be guided by the Institute of Customer Service's ServiceMark accreditation and use this as a tool to drive continuous service improvements across the delivery of excellent customer service.





C: Place: Shape strong, sustainable places for our communities

Our mission is to provide strong foundations for life, foundations that help people fulfil their potential. In many cases a good, affordable home, combined with excellent services, is enough to support our customers to do just that. However, we know in some areas, place-based challenges can hold communities and households back. That's why one of our strategic aims is to shape strong sustainable places for our communities.

We're committed to making a positive difference in the neighbourhoods where our customers live. We provide a sound community investment offer across our

footprint, underpinned by a proactive approach to generating social value. In addition to this, we'll undertake deep, place-based interventions in a small number of areas where we have a large concentration of homes. In doing so, we'll work alongside key partners, where our emphasis will be on improving the economic sustainability of the communities we serve.

We'll measure how we're performing by:



Neighbourhood satisfaction:

This is how much our customers believe we make a positive contribution to their neighbourhoods, and is a Tenant Satisfaction Measure.

Foundational economy and residual household income (RHI)

Although many areas within our footprint are thriving, others face deeper challenges, caused by a legacy of deindustrialisation and changing economic geographies. Recently, focus has been placed on improving these so-called 'left behind places'. With traditional approaches to economic development not benefitting all areas, focus has recently moved to the foundational economy. The foundational economy is at the core of everyday life. It includes essential services such as housing, health and education that we all rely on for a good quality of life. It also

includes the essential infrastructure we need every day such as utilities, transport and communications, and basic goods such as food and toiletries.

The foundational economy represents the things that make a place more 'liveable'. It also helps recognise the economic contribution that these goods and services can have on a place, as well as the importance of a decent level of residual household income⁵ for the wellbeing of those living in an area.

C1: Fair Foundations - an approach to make the most impact

When it comes to Place, we'll focus our efforts on the communities and neighbourhoods where we have the greatest number of homes, and where there is the greatest need. We refer to these as our 'Impact Areas'. These will be towns and neighbourhoods where we're known as an anchor institution, where we are a vital organisation, alongside local government, service providers and significant employers, that can make the most impact on an area through our work.

Our first two Impact Areas are Stanley, County Durham, and Byker, Newcastle-upon-Tyne. In Stanley, we own one in four homes and in Byker we're building on the brilliant work of the Byker Community Trust, which joined Karbon Homes in 2021. These areas are unique, and different from one another in terms of connectivity, demographic makeup and diversity. Byker is a listed estate due to its notable heritage and architecture. There are still similar challenges facing Stanley and Byker residents including employment barriers, lower levels of health, shorter life expectancy and under-used assets, with poor retail offerings and levels of footfall in their high streets.

In 2022, we set out our approach to Fair Foundations, a new movement for left behind places.

In delivering this strategy, from time-to-time we might also consider other villages or neighbourhoods where our homes form a large proportion of those in that community. We know that to create the most impact, we should work in this way in a small number of places at any given time, perhaps one each year. This means it's important our engagement addresses genuine need and has the potential to deliver a tangible and long-term impact.



C2: Work in partnership

We know that working in partnership is key to success here. Effective place shaping is only possible with the drive and engagement of the local community, wider partners and true collaboration.

We'll work in partnership with the community and with local organisations like local government, health, education, community and private sector organisations. We'll continually build a sophisticated understanding of what other organisations

and bodies are doing in our communities so that we know when our role should be to support them, rather than take a leading role ourselves. Where it's not possible for others to support key agendas or to work in partnership, we will still act.



C3: Use the right processes

Driving us is our sound business head and strong social heart. In this context, that means delivering activity that improves the sustainability of our communities. We'll continue to support local businesses to become our suppliers, improve homes to reduce energy costs for customers and offer apprenticeship, employment and Board opportunities to our customers.

In some cases, we'll lead physical regeneration in a community to support its continued sustainability, bringing assets back into use. We'll look to generate funding for physical regeneration that supports wider community development and wellbeing, most likely in partnership with local authorities and other developers. In Stanley, we're already working with the community to restore pride in their local area and aiming to ultimately contribute to increasing residual

household income. In Byker, we're delivering our Thriving Byker Strategy, which includes working to develop underused 'hobby rooms' and repurposing them as valued community facilities with opportunities for economic activity.

We know that we can make an impact in these places.

Taking this further, we'll promote employment opportunities, apprenticeships and other routes into employment to our customers. And we'll pay our people the real living wage.⁶ We'll maximise positive social impact through a balanced approach to procurement and we'll look to support small and local businesses through our supply chain, recognising the role that we can play in supporting local economies.





D: Enablers of success: We'll continuously improve how we operate

We'll continuously improve how we operate. To enable our success, we'll:

- Embed sound environmental, social and governance practices.
- Ensure we deliver value for money.
- Grow our business and our reputation.
- Identify and meet our future challenges.

This will guide everything we do and provide us with the strength, capacity and capabilities to meet our strategic aims, ensuring that we strike the right balance with our sound business head and strong social heart.

We'll measure how we're doing by:



Colleague Engagement:

This is how engaged colleagues feel at Karbon and how likely they are to recommend Karbon as a good place to work (Employer Net Promoter Score).



Financial capacity:

This is how financially strong we are as an organisation and is based on how many times we could pay our interest costs from our surplus (EBITDA MRI Interest Cover %).



Value for Money:

This is what it costs for every home we manage and is sometimes referred to as our 'Social Housing cost per unit.'



D1: Embed sound environmental, social and governance practices

We're already committed to ensuring our response to climate change reflects legislative and compliance responsibilities, but we don't want to stop there. We'll proactively deliver the decarbonisation of our existing homes and our business.

Another key priority is our continued work to ensure an inclusive culture and an environment that makes sure we can learn, that everyone feels supported, thrives and belongs. We'll ensure our initiatives and governance structures reflect the communities we work with, too.

Our commitment to the safety of our customers in their homes remains central to everything we do, and we'll go beyond simply being 'compliant' with legislation. We'll improve the standards of safety in our buildings, developing a safety culture across our organisation and enhancing the engagement and communication with customers around safety. Learning from experiences of damp and mould, we'll place ourselves in our customers' shoes to truly provide an excellent and supportive service with their wellbeing at heart.

We'll also continue to maintain the highest standards of governance, which will evolve as we ensure that the views and needs of our customers play a greater role in strategic decision-making.

We'll ensure continuous improvement of our data and systems, embracing data-led decision making and a single version of the truth. Enhancing our robust cyber security systems and adhering to data protection legislation will remain a priority, implementing new and innovative digital solutions to support our efforts.

Finally, we'll maintain a proactive approach to managing risk, ensuring that our Board has clear oversight of risk and is able to test the impact of potential risk scenarios. We'll also ensure that we have resilience and continuity plans in place and that these are tested regularly.



D2: Ensure we deliver value for money

Housing providers are facing unparalleled financial pressures, as are many sectors in the UK. We're conscious that our customers and colleagues are navigating a cost-of-living crisis. The importance of achieving value for money in how we spend our income, much of which is customer rent, has never been more significant.

Over the next five years, we'll consider ways to transform how we do business. We'll explore introducing digital solutions, embedding smarter processes and removing duplication.

We'll use our value for money approach to present a strong financial position to funders and regulators. To do this we'll ensure that our 30-year financial model adequately supports our ambitions but also provides sufficient headroom to be resilient to potential shocks.

D3: Grow our business and our reputation

Creating efficiencies through growth or by developing stronger revenue streams will support us as we deliver our strategy by offering additional financial capacity. We will grow the number of homes we own and manage as we deliver our programme of new homes development and our sound, meaningful approach to growth.

In addition to this, we'll continue to explore opportunities to work on cost sharing with new partners that share our values and ambitions so that we can do our bit to provide strong foundations for even more people across the North.

Simultaneously, we'll continue to invest in our brand so that our colleagues, customers and stakeholders are clear in their understanding of who we are, what we do and what we stand for. We'll amplify our employer brand and engage current colleagues with our culture and our way of doing things.

Our growing profile and influence across the sector, both regionally and nationally, will enable us to champion positive change.

D4: Identify and meet our future challenges

Our ambition for our people is to support a culture of engaged high performance. We'll do this through:

- **Delivering high performance:** embedding a positive performance culture where everyone understands the role they play in the delivery of our strategic aims.
- **Attracting talent, developing and retaining our people:** enhancing our reputation as a great employer and attract talented people who have great technical capability combined with a sound business head and strong social heart.
- **Supporting and involving our people:** ensuring our people can enjoy a good work-life balance, feel equipped to navigate their way through different personal and work transitions and are well informed about health and wellbeing issues.

We will also:

- Continue to embrace different ways of working. We'll keep exploring ways to offer flexibility, considering all flexible working requests and using data to achieve the right balance.
- Build on our data-led decision-making by improving and extending our use of insight and analytics. We'll use this to support colleagues to make informed decisions that underpin business transformation and enable improvements in performance, efficiencies and customer experience.
- Invest in digital solutions and technology to ensure effective and efficient service delivery and deployment of colleagues to best meet the needs of customers.



Footnotes

¹Housing Supply Requirements (Heriot-Watt for the National Housing Federation/Crisis) (2018)

²Housing supply: net additional dwellings, England: 2022 to 2023 – GOV.UK (www.gov.uk)

³By Jan 2024, 32.6% of Karbon customers were signed up to our customer portal and had used it within the previous 12 months.

⁴For example, our website, Interactive Voice Response and our allocations portal

⁵The amount of money a household has to spend after taxes, housing, transport and utilities costs

⁶With the exception of New Start where we look to external grant funding and employer contributions.

0808 164 0111

Find us on social media @karbonhomes

Karbon Homes is a charitable registered society under the Co-operative and Community Benefit Societies Act 2014.
Registration No.7529