

LEADING AND GROWING – THE STRATEGIC DIRECTION TO 2026

“Strategy is not a woolly vision but a journey through, over and around a sequence of challenges” Richard Rumelt: 2022

1. THE OVERARCHING CONTEXT

The life span of the previous strategic vision for North Star from 2018 to 2023 covered some of the most demanding and dramatic incidents ever experienced. These included global political turmoil, economic downturns, climatic crises, a pandemic of epic proportions and a war in Europe, which, amongst other events, triggered a significant energy crisis.

French complexity theorist, Edgar Morin, termed the phrase ‘polycrisis’ to encapsulate the range and interconnectedness of the economic and non-economic shocks currently happening on a global scale. In a polycrisis, there is no one single cause and therefore no single sweeping solution that can be applied to reduce or diminish what is being experienced. The shocks are disparate, but they interact so that the whole is even more overwhelming than the sum of its parts.

There is no sense that any of the above incidents will quickly disappear or be alleviated in the coming few years. In fact, things may deteriorate before they get better. It is within this context that the board, senior team, staff, and customers of North Star embarked on developing a strategy to 2026.

2. CUSTOMERS AND COMMUNITIES:

The 2022 context

In 2022 the UK was experiencing low levels of unemployment. However, economic inactivity across the Tees Valley was rising. Full-time employment in some of our communities was as low as 23%. A cost-of-living crisis threatened to increase levels of destitution in communities and exacerbate inter-generational poverty across the North East. Household budgets were under significant pressure and over 50% of tenants were using or considering credit services to pay for essentials. In addition, 30% of social housing tenants in arrears were experiencing anxiety and depression. North Star had commissioned research that highlighted communities facing embedded challenges with mental ill health, loneliness, and low levels of integration.

Local Authorities across the region faced unprecedented pressure on budgets and were identifying a severe shortage of quality, affordable housing to meet demand. Additional pressures on housing resources had emerged as people sought safety and refuge from conflict and disturbances around the world.

More homes for families were required and there was widespread need across the region for accommodation to meet the desires of an ageing population. Increasingly, older people wanted to remain independent and in their own home, whilst Local Authorities highlighted growing demand for homes with extra care.

Research and dialogue with Local Authorities had identified the need for more specialist supported housing, particularly for young people, adults with a learning disability, people with complex needs, and those struggling with issues of dependency.

The social housing sector was responding to legislative and regulatory change in the form of the Social Housing Regulation Bill. This embedded Government commitments from the 2020 White Paper, published following the Grenfell disaster. New consumer regulation focused landlords on enhanced standards for:

- safety
- quality
- neighbourhood
- transparency
- engagement and accountability
- tenancy
- professionalism

Disruption to customer services from the pandemic was long lasting. Global supply chains and labour markets remained under significant pressure. This impacted on public services, infrastructure, and the supply of consumer goods. As a direct result, customer behaviour changed. Customers showed increased levels of dissatisfaction and frustration across a range of sectors, including housing. How organisations responded to this became more important, requiring greater empathy, flexibility, and transparency.

The pandemic had accelerated many customers appetite for digital services. North Star had adapted several customer-facing services to provide digital alternatives. Whilst technology had realised convenience for customers and efficiency for business, in-person contact, and relationships continued to achieve the highest levels of satisfaction. This was particularly true where issues were complex, urgent, or sensitive. Clear communication, reliable services and minimising the effort required in interactions were critical to success.

In its evaluation of challenges facing organisations in 2023, the Institute of Customer Service (ICS) highlighted the requirement for organisations to develop an acute understanding of changes in customer behaviour, show a clear commitment to ethical standards and effective governance, and develop clarity of purpose and delivery. This had strong synergy with the recommendations in The Better Social Housing Review 2023. The review was set up by the National Housing Federation and the Chartered Institute of Housing to examine issues relating to quality in the sector following the Grenfell Tower disaster and death of two-year-old Awaab Ishak in Rochdale. The review recommended:

- Landlords must focus on their core purpose of providing decent, safe housing for people who cannot afford the market.
- Landlords working with tenants, staff and contractors need to redefine what is needed to deliver excellent repair and maintenance services.
- Landlords must ensure that tenants can influence decision making at every level of the organisation.

- Landlords must develop a proactive community presence through community hubs.

North Star had previously invested in customer-related research and listened to the resulting feedback. Consequently, customers were increasingly influencing service delivery.

Overall, customers were highly satisfied with the service delivered by North Star and in late 2022 the organisation received ServiceMark accreditation from the ICS.

In 2026

To ensure that our properties, communities, and neighbourhoods are sustainable, North Star has concentrated additional resources and investment in those neighbourhoods experiencing the greatest challenges. This commitment addresses the needs and aspirations of communities, bringing people, services, and staff together to positively impact wellbeing.

Partnerships have been forged to offer training and employment, connecting customers who are seeking work to available opportunities, to develop and improve their prosperity.

Existing supported housing services are alert and flexible to a complex operating environment. High quality services and accommodation are alleviating much of the pressure on Local Authority budgets and North Star models continue to remain sustainable and financially viable.

Strategic partnerships with Local Authorities and key stakeholders have enabled the North Star supported housing portfolio to grow. Services have been developed to meet the needs and demands of older people, young people, and adults with complex needs, bringing additional value to the organisation.

North Star has increased its focus on what really matters to customers and as a result achieved distinction level accreditation with the Institute of Customer Service. Levels of trust have grown hugely and led to a more business efficient and effective way of working.

Customers' state that North Star delivers an excellent service and in the minority of cases where things may not go to plan, trust North Star to listen and put things right quickly. Learning from these situations has led to an improvement in services and a reduction of administration required.

North Star delivers a service that is built around the needs of its customers, with a strong ethos of building relationships and an understanding of what matters most to them.

Building on strong foundations, the ethical reputation, transparency, and accountability to customers has grown. This, in turn, has strengthened the voice and diversity of customers in North Star governance and contributed to a much more robust decision-making process.

3. GROWTH, ASSETS AND THE GREEN AGENDA

The 2022 context

In 2022 interest rates were increasing and the rise in house prices reduced access to mortgages for people wishing to buy properties. Inflation and the shortage of skilled construction workers led to significant cost increases in delivering new homes, maintenance, and asset management services.

The need to have a safe, secure, and warm home remained of critical importance. There was an acute requirement to deliver affordable housing that not only met the physiological needs of people, but also provided a secure anchor and a sense of belonging.

The supply of new, affordable homes was insufficient to meet the existing and future demands of the population. Of the social housing that did exist, not all would meet the requirements of the ageing population that was increasing rapidly. In addition, Local Authority Partners were identifying a demand for more, good quality, supported housing across a whole range of needs. Within the context of this unmet demand, North Star had ambitious plans to deliver more affordable new homes and secured the funding to deliver this objective.

Driven by Governmental policy, legislation and regulation, design standards and specifications were changing quickly. This was to ensure that new homes were more thermally efficient and adaptable to meet the changing needs of customers. As properties aged, it was essential that they continued to be of a quality that met the aspirations of customers.

The North Star property portfolio was diverse and included 900 Victorian terraced properties that required tailoring, and at times, costly investment solutions. It was an organisational imperative to ensure that investment delivered benefits for customers and had maximum impact on the overall suitability and sustainability of these homes. Such issues required an increased focus.

The Environmental strategy, 'Road Map to Net Zero,' set out both short- and medium-term ambitions of North Star. The overall aim was to minimise the impact on the environment, with a focus on the decarbonisation of existing properties, building energy efficient and greener homes, and being open to new opportunities to deliver affordable warmth.

Delivering an excellent repair service was of primary importance to customers, and such needs had shaped the approach in procuring a longer-term partnership with a new maintenance contractor in September 2022.

In 2026

New models of supported housing, including older persons living, have been thoroughly researched and are shaping both the thinking of North Star and the development of accommodation and service provision with Local Authority partners.

Over the last three years North Star has delivered a minimum of 225 new homes in urban and rural locations, with a continued pipeline of new opportunities. These affordable homes help to address housing needs and include homes for both families and older people. These new units also add security and financial value to North Star.

Homes and external spaces are co-designed with customers input and address both their current and future needs. The design, affordable warmth and future accessibility of homes is as of equal importance as location. Flexible, easily accessible homes, that are energy efficient, reduce carbon emissions and provide good levels of thermal comfort are essential. This not only moves in tandem with the organisation's environmental priorities, it also helps alleviate fuel poverty. North Star is on a fundamental journey to establish its first zero-carbon housing development.

Data is used to shape strategic thinking and develop strategical approaches for North Star property assets. This includes decision- making regarding property investment and considering where divestment is an appropriate course of action. This helps focus investment, target issues and highlights problems so that more strategic approaches can be examined.

North Star investment in properties ensures that customers continue to have a well maintained, decent home. Customers' views and expectations about the quality of their home have informed the new void standard that enhances the ability to let homes. This has led to North Star reducing the void loss.

The carbon footprint of North Star has reduced greatly and in doing so created many business efficiencies. Ongoing investment and successfully securing grants has ensured that the energy performance of over 400 homes has improved to an Energy Performance Certificate Level C, and plans have been developed for all homes to achieve this level by 2030, in line with Governmental targets.

North Stars procurement approach considers and selects contractors and suppliers based not only on the value for money criteria of price and quality, but also on environmental credentials. This helps North Star deliver on its ethical environmental objectives.

The repairs service has continued to evolve, and North Star is delivering high quality services that meet best practice standards. The strong partnership developed between North Star, its contractors and customers is driving forward improvements in service design, communication and levels of satisfaction. Complaints have reduced as a result. When customers' do feel the need to raise a complaint, any issues are addressed quickly and to their satisfaction, leading to an all-round more effective and efficient service.

4. TECHNOLOGY

The 2022 context

The national lockdown in March 2020 was a key moment for many organisations. The immediate transition to home working as a service delivery model accelerated a digital transformation that ordinarily would have taken years. Instead, new technology and ways of working were introduced in days.

The legacy for North Star was a range of digital processes and a hybrid working model allowing staff to work from any location, and customers to access services in a new way. Virtual property viewings, digital signatures for tenancy agreements, electronic invoice processing and virtual meetings were some of the many changes that were embedded across the business. The first month of lockdown showed the impact that digital technology can have on an organisation, its staff and customers.

North Star learnt that technology used well was the key to enabling support of the delivery of the North Star core objectives.

North Star built on these positive foundations, moving to a new cloud-based infrastructure which was robust and resilient and would support the delivery of its digital ambition. The implementation of Microsoft Office 365 showed staff the benefits of new ways of working and highlighted the need to ensure that they were equipped with the right digital skills to maximise the potential of these systems.

The IT function became the Data and Digital team with new roles created to focus on Data and Applications. New collaborative and agile ways of working were introduced using the suite of Microsoft products and the benefits of simplifying and integrating these systems was understood across the business.

Technology helped increase the efficiency of systems and services. It tracked and streamlined processes, maintained data flow, managed information and greatly helped to reduce costs.

Data was being used to improve most aspects of business and was helping to develop a better understanding of the way customers behaved online. It helped the business to understand the demographic of customers and was viewed as an important way to help improve the overall customer experience. As well as enabling a good understanding of what customers want, it also helped to identify their preferred ways of interacting. North Star knew that the more aware it became about its customers preferences, the more it could evolve services to better fit their needs.

In 2026

Technology is used to improve customer services, deliver efficiencies, maximise effectiveness, and add value for money. North Star offers a comprehensive digital provision for those customers who want to interact in this way.

There is a new Housing Management IT system and enhanced digital processes in place, working to free up staff and increase the focus on delivering a higher standard of customer services.

Data is used to understand the needs of customers and there is a single version of the truth. There is a high confidence in the accuracy and quality of the data used across the business. Customers can view the same information as staff, ensuring that their personal data is up to date, and also allowing them to view the relevant health and safety compliance and repair data for their property.

Technology has helped business to improve external communication and has optimised the use of social media. Customers have increasingly required a more personalised service and collecting quality data enables this expectation to be met. It also brings about many positive business efficiencies.

As the speed of technological and digital change continues to increase, North Star has not only kept pace, but is innovating and finding solutions for the challenges faced by its customers and staff. North Star is a creative and forward-looking

business, experimenting with new ideas and maximising new technology to ensure viable effectiveness moving forward.

There is a resilient infrastructure that aims to reduce the risk that North Star and its data is exposed to from cyber-attacks and this is externally validated (e.g., Cyber Essentials).

Such systems, in turn, are helping to deliver business efficiencies and improve services throughout the company. These increased responsibilities are endorsed by the North Star commitment to remain compliant with all legal and regulatory requirements.

5. PEOPLE AND CULTURE

The 2022 context

In 2022, the world of employment was in a state of flux. The global pandemic resulted in 400,000 people unable to return to work post COVID. For the first time since records began there were more vacant posts than unemployed people

Recruiting and retaining good staff was becoming increasingly challenging, and for a time became salary led, which benefitted larger employers. However, this approach could not be sustained, given the external macro environment of inflation and its organisational impact on cost control.

The numbers of vacant posts, employers willing to pay a premium to attract people, and the availability of home working led to increased movement within the jobs market. Employers needed to understand what mattered to individuals and demographic groups alike. They also needed to understand what influenced people's decisions regarding applying for a new position or staying with their current employer.

Research highlighted that the following issues were of key importance to people when decision making:

- Being trusted and trusting an organisation's leaders.
- Ethics, values, and purpose, aligning with their own value system.
- Flexibility in working practices and agreeable terms and conditions.
- Opportunities for personal growth and levels of influence.
- The organisations, commitment to diversity, equity, and inclusion.

In late 2022, The Institute of Customer Service published its 2023 predictions highlighting the significant challenges faced by people working on the front line. It encouraged employers to balance the challenges of recruitment with continuous investment in the training, development, and career pathway of existing employees.

At the same time, 'The Better Social Housing Review' was published by The Chartered Institute of Housing and The National Housing Federation, after examining issues relating to quality in the sector. This included several comments and recommendations relating to the people working on the front line of social housing:

- A significant level of stress was being experienced.
- At times, people felt under siege.
- Receiving complaints had a negative impact on those delivering services.
- All housing associations should also take a 'values-based' approach to the recruitment and development of staff.
- When recruiting new housing officers (in particular), organisations should seek to attract candidates from the communities in which they are based.
- People must be supported to access ongoing training and development which would then open up opportunities for career progression.

Employment offers and the overall approach of an organisation became even more important. In North Star, relationships were at the heart of everything, its culture been co-created by staff, board and customers. It was defined, like no other, and kept North Star strong. However, in preparation for the strategy leading to 2026, staff identified that there was more that North Star could do to:

- Help staff achieve their ambitions.
- Retain good people.
- Offer placements for apprentices and graduates.
- Plan for succession.
- Create more opportunities for staff.
- Be more diverse and inclusive.

In 2026

North Star continues to develop and maintain its relational culture whilst experimenting with new ideas and approaches. It believes that everyone has the capacity to grow and develop and providing everyone with opportunity is a strategic priority. This is helping to establish future leaders, improve the ability to recruit, and increase agility and resilience.

There is a focus on continually developing people to be ready for any circumstance and be able to manage higher levels of uncertainty and change. This resilience is grown and supported by a focus on wellbeing, training and development, access to counselling services, mentoring, and coaching. In particular, high levels of support for front-line staff have been provided.

In order to support the strategic development of the workforce and to help with recruitment, North Star has formed partnerships to deliver opportunities for apprentices and graduates. This has brought forward elements of new thinking into the organisation and North Star is developing individuals' ability to be ready for full-time paid employment.

Where possible, North Star recruits from within the organisation and the development of staff contributes to delivering this objective. Staff invest in their own development, as well as maximising the opportunities available to them through the business. North Star encourage staff to become professionally qualified and access academic qualifications, including those available through Higher Level Apprenticeships

The employment offer is agile and dynamic and ensures that it:

- Differentiates North Star as an employer and is marketed well.
- Is flexible enough to meet the differing needs and expectations of people.
- Helps to recruit and retain.
- Is cutting edge and future focussed.

Recruitment approaches are flexible, modern, and effective. North Star experiments with new ways of thinking and working to maximise its reach and promote the business as an excellent employer.

There is continuing investment in leadership across North Star. This works in such a way as to develop prospective leaders as prominent role models, collaborators, coaches, and pioneers, and offers them the skills needed to support the development of teams and individuals.

North Star regularly monitors the impact of investment in its staffing and continues to hold the highest levels of Investors in People accreditation. This helps to raise company profile and is a validation of the organisational culture.

North Star is equitable, diverse, and inclusive. It listens and learns from the lived experience of people from diverse backgrounds. It proactively tackles and prevents any form of discrimination, harassment, or victimisation, and embeds its approaches within its culture. It aims to have a workforce and board that broadly reflects the diversity of the communities it serves and takes positive action to address under-representation.

6. VALUE FOR MONEY

The 2022 context

Strong finance is the platform for success and is where growth, ambition and experimentation thrive. Ensuring that the organisation remains financially strong is critical over the next three years, not only from a regulatory perspective, but also to ensure that the L&G 2026 strategic ambitions can be delivered.

2020's organisation refinancing project helped to maintain our very strong financial position and, supported by an external Standard and Poor's credit rating, there was high demand from lenders to invest in North Star.

VFM is a constant priority for North Star and its aim is to achieve more with resources so that corporate objectives can be accomplished. By optimising VFM throughout the organisation, additional resources are released and invested into services for customers, asset management and supply of new homes.

Delivering VFM is part of an integrated and embedded approach, rather than something that is separate or an annual task that must be completed. It is a critical business tool and is not simply just about reducing costs. Quality and cost are both important, as is the relationship between investment and performance, and these form the basis of our measurement and monitoring.

Benchmarking data is used to understand cost and performance and to acknowledge where North Star is placed as an outlier. Where required, there are

strategic plans for improvement. However, in some areas, such as community investment, it is a conscious strategic decision.

High inflation has put pressure on costs across the organisation, and the delivery of VFM has become even more important for the business and its customers. North Star recognised this challenge by adapting our approach in the 2023/24 budget with a target operating margin and classified all spend as essential or discretionary. This ensures that a strong financial foundation is in place for the start of L&G to 2026.

In 2026

The operating margin is at least 20%, with the S&P credit rating having been retained and all Golden Rules met. This contributes to North Star's future financial strength and top regulatory judgements.

New funding has strengthened the treasury position, whilst also supporting the delivery of strategic objectives.

Value for money helps drive effectiveness and regular reviews are conducted across the business to ensure operating structures and service delivery are effective, flexible, and fit for future purpose.

The budget process is embedded and owned across the business and VFM continues to drive all activity. The approach to VFM continues to support the delivery of the North Star strategic objective.

7. GOVERNANCE

The 2022 context

Good corporate governance is fundamental to trust, effective management, and organisational supervision. Customers' perceptions, relating to ethical business conduct and transparency, increasingly influence their attitude towards organisations. Organisational culture is critical in this context and will continue to become of more importance for customers. Forward thinking organisations will re-examine the role of the customer voice in relation to governance. This voice will become more prominent and is to be highly valued.

Also, as the external environment continues to be complex, with increased brittleness, ongoing anxiety, non-linear activity, and frequent incomprehensibility (BANI), good governance has never been more needed. Fiduciary requirements remain essential and provide the framework for keeping North Star strong. In addition, the ongoing generative development of the board complements and strengthens both relationships and decision making. The future will require focus on both areas. Increasing the diversity of lived experiences, skills and characteristics will provide a greater depth to discussion and outcomes.

The introduction of the six-year term points to a much higher turnover of board members in the coming years, and how organisations respond to this issue will be crucial. North Star continues to be in a strong position to smoothly manage any

changes, and both the retirement of board members and all transition processes are to be discussed in detail at the board residential meetings.

Plans are already in place to respond to the Social Housing White paper and the new approach to Consumer Standard Regulation, and these have been shared with board. We will continue to engage with board, staff and customers to develop our response.

In 2026

Through prolonged relationship development, largely facilitated by regular off-site residential excursions, the boards' generative journey has continued to evolve.

The North Star board is more diverse than ever before and has developed many strong external connections. Such connections enable them to be at the forefront of both innovative thinking and practice in relation to increasing future diversity further.

There has been a successful transition to a new Chair, with clear succession plans in place for all board members to provide continuity and reduce disruption.

Consumer standards are being delivered to a very high caliber and the organisation is prepared for a C1 regulatory judgement at its next IDA, matching the required G1/V1 ratings already in place.